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NEWS SUMMARY

GENERAL

Civilians shot in 'error' by Army

The Army admitted last night that two civilians seriously injured by a patrol near the border in Northern Ireland had been fired upon "by mistake."

One of the men was carrying a piece of piping, and in the darkness this was thought to be a rifle. One of the soldiers believed he was about to be shot by the men, who were crossing a field, the Army said.

In South Armagh, explosives experts defused a big shrapnel bomb left near a school. Another suspect device, also left outside a school, was a hoax.

Ferries disrupted

Cross-Channel ferries and North Sea supply boat operations were severely disrupted by the National Union of Seamen's one-day national strike. Back Page; Parliament, Page 10

Whitehall 'waste'

Savings of between £30m and £80m could be made by the Civil Service in the Property Services Agency alone, a former civil servant claimed. He said the service was deliberately avoiding cost-cutting exercises. Page 8

Soviet N-test

The Soviet Union has carried out an underground nuclear test in Siberia, its eighth this year, the U.S. Energy Department said.

Nuclear call

Chinese scientists have called for the construction of six *nuclear power plants* by the early 1990s.

New Schmidt aide

Manfred Lahnstein is expected to succeed Manfred Schueler as Secretary of State to Chancellor Helmut Schmidt, one of the most *influential* "backroom" jobs in West German politics.

Bomb escape

One of El Salvador's military rulers, Col. Adolfo Majano, escaped a bomb attack which injured several people in the capital, San Salvador. The explosives had been planted in a parked car.

Tax probe opens

An Italian Senate committee opened an investigation into a petrol tax evasion racket which is estimated to have defrauded the state of nearly £1bn during the past 10 years.

Emigration up

Emigration from Zimbabwe reached a two-year high in September, with 2,004 people officially leaving the newly-independent country.

Potholer safe

Rescuers found a potholer *shocked* but safe after being missing for eight hours under the Brecon Beacons.

Wimbledon snub

Glenfyne Distillery, which has *had its offer of £1m to sponsor* the Wimbledon tennis *championships rejected*, is to back the West of Scotland *championships.* Page 8

Record bashers

Five trainee caterers at Newark-on-Trent smashed the world potato peeling record of 170lb in 45 minutes by bashing 417lb in that time.

Briefly . . .

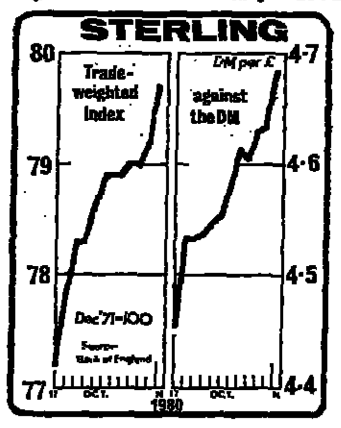
Thousands of families were evacuated when three bush fires converged on homes near Sydney.

Two children, aged three and one, died in a North London house blaze.

BUSINESS

Sterling's index at six-year high

● **STERLING'S** trade-weighted index closed at 79.7, a rise of *0.5 since Friday*, and the highest since January 1974.



Underpinned by high interest *rates it rose to DM 4.6825* (DM 4.6350) and $2.4435, a rise *of 70 points.* Page 23

● **DOLLAR** closed at DM 1.9150 (DM 1.9025). Its trade-weighted index was 85.7 (85.4). Page 23

● **GOLD** rose $13 an ounce after steady U.S. demand to close at $642.50. Page 23

● **GILTS** led a downturn in *investment ahead of today's* October banking statistics. The *Government Securities Index* closed 0.49 down at 70.45. EQUITIES *followed the trend,* with electricals particularly *vulnerable.* The FT 30-share index closed 4.4 down at 482.1. Page 28

● **WALL STREET** was up 9.90 near *the close at 934.39.* Page 26

● **BANK OF ENGLAND** extended until November 24 a facility due to expire on November 7 providing banks with up to £500m in extra liquidity through sale and repurchase of Government securities.

● **COAL BOARD** has long term plans for a £1bn oil-from coal plant. A pilot plant could be on stream by 1983. Back Page. Opposition energy spokesman David Owen said the Government must continue aid to the coal industry while the reces*sion lasts.* Page 9

● **ALCAN** said a 30-month contract was agreed with union representatives avoiding a strike at its giant Kitimat smelter in British Columbia. Page 27

● **ESSO** tanker drivers and depot staff rejected a basic pay *offer of 14.1 per cent linked to* a productivity deal. Page 10

Stone-Platt sells division

● **STONE-PLATT** Industries *sold its profitable pump division* to Indian Head of the U.S. for *£11.5m as part of its de-gearing* strategy. Page 19; Lex, Back

● **NEWMAN INDUSTRIES** arranged a capital injection of about £8m from Cycle and Carriage of Singapore, in exchange for control. Page 18; Lex, Back Page

● **GILL AND DUFFUS,** com*modity broker and trader, and* Brooke Bond Liebig have *acquired the insurance business* trading under H. Clarkson *(Insurance Holdings)* for about £8m. Page 19

● **SHELL CHEMICALS UK** expects losses of about £30m this year—double last year's estimated loss. Page 8; U.S. recovery from earnings dive, Page 20

● **GRAIG SHIPPING** announced interim taxable profits of £651,224 (£271,669). Page 18

● **BRENT WALKER** leisure group reported interim profits *before tax of* £128,604 (£360,617). Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			Grindlays Bank	152	− 8
Amalg. Dist. Prds.	60	+ 3	Hambro Life	308	− 10
Billam (J.)	51	+ 5	Hambros Bank	680	− 25
Brooke Tool	55	+ 4	*Horizon Travel*	340	− 18
Hong Kong Land	202	+ 25	Jardine Matheson	246	− 29
Stothert and Pitt	100	+ 12	Kean and Scott	160	− 10
Textured Jersey	64	+ 6	Land Securities	381	− 7
Williams (J.)	34	+ 6	Lloyds Bank	335	− 7
Tanks Cons.	320	+ 20	MK Electric	210	− 12
FALLS			Mothercare	242	− 6
Treas. 12pc 1984	£96¾	− ⅛	Nathan (B. and I.)	34	− 5
Treas. 12½pc 92	£99½	− ⅜	Plessey	256	− 12
Airfix Inds.	7	− 2	Smiths Inds.	227	− 6
Assd. Leisure	129	− 5	Standard Telephns.	477	− 16
Barclays Bank	460	− 8	Turner and Newall	89	− 3
Boots	242	− 5	Wagon Finance	42	− 3
Brent Walker	57	− 7	Wedgwood	53	− 4½
Dixons Photo	128	− 8	Willis Faber	270	− 8
GEC	562	− 8	*Double Eagle*	620	− 80
Gillett Bros.	198	− 8	Cent. Pacific Mins.	505	− 30
GUS A	475	− 13	*Sthern. Pacific Pets.*	192	− 13

Shop stewards at BL Cars to call strike as group seeks £1bn

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS shop stewards voted *yesterday to call a strike of all* 70,000 manual workers from next Tuesday *in spite of warnings* from the company of the consequences.

A management team, headed by Mr. Ray Horrocks, chairman of BL Cars, told union negotiators that about £800m of additional Government finance—preferably in the form of an equity injection—would be needed over the next two years.

Additional funds for Leyland Vehicles and other BL activities mean that the Government would be required to provide a total approaching £1bn over two years—the figure required in 1976 under the original Ryder rescue plan over a five-year period.

The intervention yesterday by Mr. Horrocks and his senior management colleagues under*lines the gravity of the present* confrontation with the trade *unions.*

The executive of the Amalgamated Union of Engineering Workers, which is known to be reluctant to risk a damaging strike, meets today. The key question is whether it will decide to recommend workers to accept the company's 6.8 per cent pay offer, given the opposition expressed by members at *yesterday's meeting.*

Stewards ignored the plea *that they should be conscious of* the need to attract new Government finance and also the fact that many plants currently on short time would be reluctant to strike.

The extent of the shop floor revolt at the pay offer poses a threat to Government efforts to contain wage increases. Shop stewards insisted that workers *were now immune to threats* about the future of the company. *The real issue was the erosion* of living standards at a time of *mounting inflation.*

Mr. Grenville Hawley, national automotive secretary for the Transport and General Workers Union, said figures presented to the shop stewards yesterday suggested that 41,642 workers had rejected the offer with only 23,052 opposed to the strike call. He said the voting indicated a "conclusive" decision to strike.

The unions have indicated *their willingness to continue* negotiations with the company before the strike deadline expires next Tuesday. But BL seemed adamant last night that no compromise was possible. Sir Michael Edwardes, its chairman, has made it clear that "not a penny more" is available.

Sir Michael seems prepared for a confrontation, as he was earlier this year when he faced up to a strike by more than 20,000 workers which brought nearly all car production to a halt.

BL last night appeared to pin its hopes on the shop floor refusing to respond to the strike call. The company said it would ensure all employees were given the "stark facts" about its projected financial performance so they could judge for themselves just how damaging a strike would be.

The plant leading the call for strike action is Longbridge, Birmingham, *where the 16,000* workers have co-operated to *raise productivity levels for the* successful launch of the Mini *Metro.*

Feelings also run high at

Continued on Back Page

Rolls-Royce links pay to productivity. Page 10
Tanker drivers reject offer. Page 10

Jardine and Land deal may block takeover threat

BY OUR HONG KONG CORRESPONDENT

Jardine Matheson and *Hongkong Land,* the Hong Kong-based property and trading companies, yesterday strengthened their ties by major purchases of one another's shares.

The move was widely seen as an attempt to block a bid for either company by local Chinese interests which over the past year have been gaining control of several trading and property companies dominated by British expatriate interests.

Jardine Matheson paid HK$2.2bn (£178m) for a stake of around 9½ per cent in Hongkong Land, bringing *its overall holding to slightly* under 40 per cent. Land, in *turn, bought about* 15 per cent of Jardine at an undis*closed price to take its stake* up to about 30 per cent.

The transaction followed widespread speculation in Hongkong that Chinese interests led by Mr. Li Ka-Shing, a local property magnate, were preparing to mount a bid for control of Jardine, the most eminent of the "Hong" trading houses with European origins. Yesterday's purchases will make it much more difficult for an unwelcome bid to succeed.

Mr. David Newbigging, chairman of both Jardine and Land, who is in London with a delegation of Hong Kong businessmen and officials, denied yesterday that the moves were designed to deflect a bid. He said: "Each is a good investment on a purely commercial basis."

Mr. Newbigging added that the decision to make yesterday's purchases was taken before the recent bout of speculation on the Hong Kong stock market, which has boosted *the share price of* both companies and driven *the Hang Seng index to its* highest point since 1973.

After the dawn raids, which took the Hong Kong *market by surprise,* the Hong Kong Committee on Takeovers and Mergers said that, if Jardine bought any further Land shares, a general offer would have to be made to all Land shareholders.

Mr. Newbigging said yesterday, however, that neither company was planning to alter its shareholding for the time being.

Mr. Li Ka-Shing, in London with the same delegation, denied that he had planned a bid for either company. *He* would not comment, though, on reports that he had provided Land with the 15 per cent of Jardine that it bought yesterday.

The dawn raids were the latest in a long series of share transactions involving the established trading houses and a small group of wealthy Chinese entrepreneurs. Mr. Li Ka-Shing *last year obtained* effective control of Hutchison Whampoa, another expatriate group, when his quoted company, Cheung Kong, bought a 23 per cent stake.

Earlier this year Sir Y. K. Pao, a local shipowner, trumped a *rival bid from* Land for control of the Hong*kong Kowloon Wharf Com*pany.

Even before the latest move, Jardine and Land had *been strengthening their con*nections. In early September, *Land issued 64½m shares to* Jardine in exchange for a *package of assets.*

A month later Jardine unveiled a HK$1bn rights issue, the largest ever seen on the Hong Kong market, principally to reduce borrowings it had made to finance purchases of Land shares.

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Decca lost £19.6m last year

BY CHRISTINE MOIR

DECCA was losing money at the rate of nearly £20m a year when *Racal Electronics paid £100m* for it in March after a hard-*fought* battle with General Electric Company (GEC).

At *the interim stage the total* losses for the six months to *September, 1979 had* been £3.11m, £1.87m pre-tax, and Racal had prepared shareholders for possible full-year losses of *£10m.*

But pre-tax losses were *£12.17m* compared with *£384,000* in 1978. Tax and £5.78m of exceptional losses led to an attributable loss of £19.62m, nearly four times the previous level.

Mr. Ernest Harrison, Racal's chairman, says the rate of losses in the second half was much higher than expected.

The principal factor, he told shareholders in a special letter, was "a sharp deterioration in sales of small boat radar resulting from the strength of sterling, increased Japanese and American competition and production delays in new models."

The division is still giving "cause for concern" but Mr. John Coates, finance director, said yesterday there were "no plans to dispose of it."

Racal has made no secret of *its plans to pull out of Decca's* consumer businesses and has *almost* completed the *main* withdrawals. It still plans to *sell the television and audio* business "in the coming months." *However, Mr. Coates* would not confirm whether firm *sales negotiations were going on* at present. "The world is not *full of people wanting to buy* TV manufacturers," he said.

Translated into net terms Decca's losses amounted to 104.6p for each Decca share in issue at the end of March. The figures have not been consolidated into Racal's own accounts so far and Mr. Coates would give no breakdown of their impact on Racal, whose interim results will now be delayed until "early in the New Year."

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£ in New York

—	Oct. 31	previous
Spot	$2.4310-4320	$2.4440-4450
1 month	0.45-0.50dis	0.59-0.56 dis
6 months	1.05-1.00 dis	0.97-0.92 dis
12 months	1.75-1.60 dis	1.65-1.55 dis

Final opinion polls give slight edge to Reagan

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

Mr. Ronald Reagan, the Republican challenger, enters today's U.S. election as the slight *favourite to wrest* the White House from Mr. Jimmy *Carter and thereby consign a* President to defeat for the first time in 48 years.

But the tentative evidence of the final round of public opinion polls could yet be rendered invalid by the incalculable impact on the electorate of the renewed hopes for the freedom of the U.S. diplomatic hostages in Iran.

Neither Mr. Carter, who returned to the campaign trail yesterday for one last foray into the Midwest while remaining *ready to fly back to the White* House at a moment's notice, nor Mr. Reagan, scouring the same territory before flying home to *California, made any direct* mention of the hostages yesterday.

Mr. Carter's call was for the majority Democratic Party to rally behind him. "We can beat ourselves," he warned a crowd in Canton, Ohio, "by a low turnout of the working families, of the farmers and of those deprived in life—that's the only thing that can hurt us." He said Democratic apathy had given the country both Richard Nixon and Herbert Hoover, the most hated names in his party's lexicon.

Mr. Reagan, whose staff is convinced he will win comfort*ably unless the hostage issue* induces a surge of support for *Mr. Carter as the incumbent* President, stuck to his basic *argument that it is Mr. Carter's economic policies which have* reduced the fortunes of the *nation.* He has said he will make no comment on the hostages because the question is "too sensitive."

*The polling evidence yester*day tended to suggest that he *had come across as a credible* candidate in last week's tele*vised debate with Mr. Carter* and had thus acquired political momentum in the campaign's closing stages.

The final Gallup poll gave Mr. Reagan 47 per cent to Mr. Carter's 44 per cent and 8 per *cent for Mr. John Anderson,* the independent candidate. This represents a six-point improvement in the past few days for the Republican. The final Harris poll made it 45-40-10 for Mr. Reagan, a two-point pick-up.

The concluding New York Times-CBS *survey* gave Mr. Reagan 44 per cent, Mr. Carter 43 per cent and Mr. Anderson 8 per cent among probable voters. Most significantly, it found that

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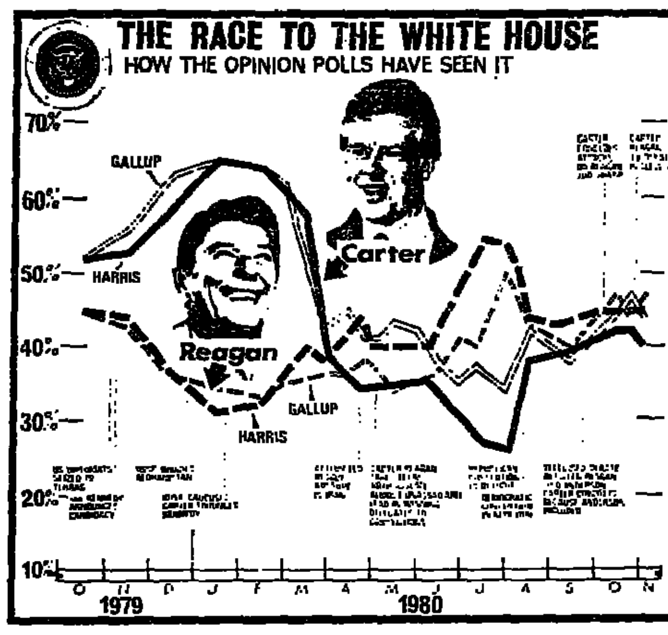
Where the race will be won and lost, Page 17



Students to hand over hostages

BY PATRICK COCKBURN

THE ISLAMIC students holding the 52 U.S. hostages in Iran *agreed to hand them over to* the Government, after a meeting yesterday with Ayatollah Khomeini, Iran's revolutionary leader.

The Algerian Government has *agreed to play an intermediary* role and to take care of the *hostages once Iran decides to* release some or all of them. The *Government in Tehran says it* will not hand them over until the U.S. has fulfilled the terms for their release laid down by the Iranian Parliament in a vote on Sunday.

The Administration in Washington yesterday welcomed the *news that the student militants* will give up control of the diplomats, but emphasised that their release could still take time.

Their final departure from Iran "will require time, patience and diplomacy." Mr. Edmund Muskie, the Secretary of State, said yesterday. He *repeated President Carter's* pledge that U.S. decisions on *whether to meet the Iranian* terms must be consistent with "our national honour and vital interests."

It is still no clear how far the leadership in Tehran is committed to ending the hostage issue. If the four conditions for their release agreed by the Iranian Parliament on Sunday are strictly interpreted, it could be many months before the last hostage is freed.

Iran has demanded a promise of U.S. non-interference in its affairs, the unfreezing of Iranian assets, cancellation of *all legal claims against Iran* and the return of the Shah's wealth. *Only the first condition can* easily be fulfilled by President Carter.

Mr. Henry Kissinger, former *Secretary of State and a vigor*ous supporter of Mr. Ronald Reagan's candidacy *in recent* weeks, said yesterday Iran's terms for freeing the hostages were "either unfulfillable or *humiliating or both.*" Mr. Reagan refused to make any comment.

The militant students, who yesterday agreed to hand over the hostages to the Government, have always said they would abide by any decision reached by the Majlis (Parliament) in Tehran. "We accept the decision of the nation," they said yesterday.

Algeria's agreement to act as an intermediary in transferring the hostages from Iran came as *the result of a meeting between* Mr. Mohammed Ali Rajai, the *Iranian Premier,* and the Algerian ambassador in Tehran. *But it will not assume this role* until the Iranian conditions have *been met.*

A letter from President Carter was handed over to Mr. Rajai by the Swiss ambassador in Tehran yesterday, but Washington is still apparently waiting for the precise wording of the Iranian demands before responding officially.

Other news of hostages, Page 4

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For latest Share Index 'phone 01-246 8026

EUROPEAN NEWS

WEST GERMANY UNLIKELY TO MEET NATO'S DEFENCE SPENDING TARGET

Bonn attempts to soothe U.S. fears

BY ROGER BOYES IN BONN

HERR HANS APEL, the West German Defence Minister, today holds a delicate meeting with the U.S. Ambasador to Bonn with the aim of smoothing over Washington's fears about West Germany's contribution to the NATO alliance and of explaining the severe financial restraints on Bonn's military spending.

Herr Apel: scarce resources for competing priorities.

All the signs are that West Germany may well fail short of the alliance target of raising its defence spending by a real 3 per cent. This prospect is already facing most of the major European allies (including Britain) and could inject an element of strain in relations *with Washington.*

Budget-paring negotiations between the ruling Social Democrat and Free Democrat parties ended yesterday and it was clear, though it will not be final until the various parliamentary parties have been consulted, that defence allocations will suffer.

Defence specialists believe the defence budget may only rise by about 3 per cent in nominal terms in 1981 from its present DM 34bn. With anticipated inflation of about 4 per cent, that would mean that the budget would do little more than mark time.

This has two main consequences. In the first place Bonn is likely to be somewhat reluctant to respond to all of the U.S. requests for greater contributions to the maintenance of American forces in Germany—a key subject in today's discussions between Herr Apel and Ambassador Walter Stoessel. Secondly, the services *will have to re-examine their* weapon procurement development programmes not only for 1981 but also for the coming three years.

The U.S. request for more "host nation support"—that is the amount that Bonn pays towards the maintenance of U.S. military *installations in Germany*—has a symbolic element. A fundamental tenet of Bonn's NATO philosophy has been "division of labour" within the *alliance, that members should* take up the tasks best suited to them. One practical example has meant that while Bonn has not been prepared to act in a multi-national Gulf force, it has been prepared to act as a stop gap in Europe should U.S. troops be withdrawn from Germany and redeployed in the Gulf.

Now Bonn, troubled by competing defence priorities and only scarce resources, is evidently having to qualify this position—at least in terms of *full financial backing for* U.S. installations in Central Europe.

The financial threat to German defence programmes has been lurking for some years, but it has become particularly acute over the past 12 months. Now it seems that the army may have to delay the introduction of its 1800 Leopard Two tanks. Moreover, projects for *the 1990s — such as the new* Joint Tactical Combat Aircraft (a joint plan with Britain and France) and the new Franco-*German tank—could be put on* ice.

A further consequence of this financial tightness has been an increase in inter-service rivalry. *Senior army officers are* particularly concerned that an increasing proportion of defence funds will be alloted to the air force, which is having to digest the vast procurement costs of such systems as the multi-role Tornado combat aircraft.

West Germany has consistently argued that simple "mechanical" rises in the defence budget are not enough—instead emphasis should be put on increasing efficiency and technological hardware.

Although it has the largest *conventional army in Western* Europe, it maintains that its personnel costs are relatively low compared, say, to Britain which has a professional rather than a conscript army.

However there is no disguising the fact that Herr Apel is concerned both at the planned spending cuts and the "hardware" mentality of the services that has led to the procurement of ever more expensive weapons. The minister intends to call a special meeting soon of senior officers and defence experts to discuss new concepts that could be applied within the much tighter financial constraints now facing West Germany.

Post strike threatens as pay talks collapse

BY OUR BONN STAFF

WEST GERMANY could face a pre-Christmas postal strike after the breakdown of talks between the Post Office and the unions, and the effective rejection of a union ultimatum on shift work.

Herr Kurt Gscheidle, the Post and Transport Minister, *yesterday offered—30 minutes* before the expiry of the midday ultimatum—to hold limited discussions with the unions but did not present any form of fianncial offer. As a result, the leadership of the West German postal union, which has already held some protest strikes in selected areas, will hold a meeting this weekend to discuss what forms of inudstrial action should be taken. These will be put to the vote next week.

The union action is important for two main reasons. First, it *is the first major dash in what* promises to be a particularly tough winter wage-round. Both blue- and white-collar unions have been growing increasingly restive, having reined in their wage demands for over three years. Ten per cent wage claims were common in the union movement last year but these were invariably whittled down to 6-7 per cent settlements.

Now, with the prospect of an economic slowdown over at least the next nine months, unions are anxious to ensure that *standards of living are not eroded.*

Secondly, the post dispute which has escalated with remarkable rapidity is about better conditions for night and afternoon shift workers. If Herr Gscheidle makes any substantial concessions he will open the way for other workers in the public sector—hospital and railway employees for example—to press for extra shift payments.

Many Ministries—especially Post and Transport—are being required to make swingeing *budget reductions for 1981* as part of a general cut in public spending. An across-the-board conflict on shift work could thus unleash considerable trouble for the Government.

Schmidt will hold private talks with Giscard

BY JONATHAN CARR IN BONN

THE OUTCOME of the U.S. presidential election, the European Community and East-West probems, are expected to be key topics at a private meeting in Paris next Monday between the West German Chancellor, Herr Helmut Schmidt, and French President Valery Giscard d'Estaing.

The meeting does not fall within the regular consultations held at Cabinet level under the *Franco - German Friendship* Treaty. But it is one at which the two leaders can discuss matters openly, with no ministers present and under no pressure to produce a communique. Similar meetings have been held in Hamburg and Strasbourg.

The dinner talks in Paris will allow Herr Schmidt and M. Giscard to compare notes less than a *fortnight before* the Chancellor travels to the U.S. for talks with the newly-elected President.

Herr Schmidt has studiously avoided making any public comment which might be interpreted as favouring either President Jimmy Carter or his Republican opponent, Mr. Ronald Reagan, in the election campaign.

Nonetheless, despite incidental criticism in Bonn of aspects of U.S. policy, there is now an unmistakable trend in favour of continuity in Washington. Bonn still remembers the Carter Administration's first difficult months, which brought serious friction with West Germany on issues including nuclear plant exports and human rights. West *Germany strongly supports the* SALT-2 accord, and believes a Reagan administration would almost certainly not secure its ratification by the U.S. Congress.

The meeting—the first since Herr Schmidt's coalition won the West German general election on October 5—will also give M. Giscard a chance to comment on his own prospects *in the French presidential* election next Spring.

Herr Schmidt has to perform a balancing act with regard to the EEC and its Common Agriculture Policy. He is under heavy pressure from his own Social Democrat Party CAP, but the French might interpret such changes as an attack on principles. Moreover, while wishing to cut surpluses run up under *the CAP and to limit the growth* of spending, West Germany realises that any consequent price increases, however small, could well cost M. Giscard votes next Spring.

The two leaders will also have to discuss relations with Britain, the country most strongly favouring CAP reform.

Although M. Giscard gave *Herr Schmidt a highly positive* account by telephone of his talks with Mrs. Margaret Thatcher, the British Prime Minister, in Paris in September, Herr Schmidt, who is due to hold talks with Mrs. Thatcher in Bonn later thi smonth, is known to have been sceptical.

France makes up 60% of lost oil supplies

BY ROBERT MAUTHNER IN PARIS

FRANCE HAS succeeded in replacing about 60 per cent of the oil imports it has lost as the result of the Iraqi-Iran conflict with increased supplies notably from Saudi Arabia, the United Arab Emirates, Mexico and Venezuela. The Government had to act rapidly as soon as it became clear that the Gulf war would last much longer than expected.

Iraq formerly supplied France with about 24 per cent of its total oil requirements, or more than 500,000 barrels a day. Though the cut-offs was not immediate, since it takes tankers 40-45 days to make the voyage from the Gulf to France, shipments of Iraqi crude are now coming to an end.

The UAE, France's fourth biggest supplier of oil, was the first to offer an increase in its exports of 50,000 barrels per day, during a stop over which President Giscard d'Estaing made last month in Abu Dhabi, on his way to China.

Since the middle of last month, new agreements between France and its traditional oil suppliers have been reached almost every week, although they have not always been officially confirmed. One of the most important was the reported undertaking by Petromin, the Saudi state company, to supply Sofacrop, a joint subsidiary of the two French *oil companies Elf Aquitaine and* Compagnie Francaise des Petroles (Total Groupe) with some 120,000-150,000 extra barrels a day.

As in the case of the UAE, a premium of $2 per barrel will be charged for the additional quantities, bringing the basic price for Saudi Arabian crude to $32 a barrel.

Negotiations with Kuwait are also under way, reportedly for 150,000 barrels per day. Also, a preliminary agreement was signed last week in Caracas between Elf Aquitaine and the Venezuelan national oil company, *Petroven, for the* purchase by France of 40,000 barrels per day of extra heavy crude, known as Boscan. Elf Aquitaine has undertaken to build special refinery installations in France for the transformation of Boscan into light crude and coke.

Long hard look at Berlinguer strategy

By James Buxton in Rome

ITALY'S COMMUNIST party yesterday began a formal reassessment of its political strategy at a time when its role is more uncertain than for some time.

Since Sig. Enrico Berlinguer became party secretary in 1972, its strategy has been to search for an occasion to implement the "historic compromise." Under this, the party—Italy's second biggest, accounting for 30 per cent of the vote at the 1979 general *election—would enter government* in a grand coalition with the long-ruling Christian Democrat party.

Although Sig. Berlinguer's *position is strong,* this strategy has been under growing internal pressure, especially since the 1979 election when the party's share of the vote fell by 4 per cent. The Communists helped bring down the centre-left coalition of Sig. Francesco Cossiga in September, but it has promised a milder opposition to the present four-party coalition under Sig. Arnaldo Forlani who may command greater authority within the ruling Christian Democrats.

The party has also emerged *somewhat bruised* from the Fiat strike, which collapsed last month when moderate workers pressed to go back to work in defiance of the militant line supported by the Communists, and proclaimed at the factory gates by Sig. Berlinguer. He called for the occupation of the factory if *the management did not yield to workers' demands.*

The key questions for the Communists are whether the historic compromise strategy can be expected to achieve the entry of the Party into government and whether another strategy would be more effective.

It boils down to the question of relations with the Socialist party, led by Sig. Bettino Craxi, which is a partner in the current coalition and was a member of its predecessor. The Socialists made important gains in the regional elections last May when the Communists' position declined marginally. The latter have to decide whether, in the long term, they can hope to gain power in some sort of broad alliance of the left with the Socialists.

Members of the Communist Party, including Sig. Berlinguer see the Socialists as a *potential threat to their position* on the left and are more hopeful about the prospects for an eventual alliance with the Christian Democrats. There are, after all, powerful factions in the ruling party, notably its left wing led by Sig. Giulio Andreotti. This believes that an alliance with the Communists is preferable *politically to one with the* Socialists, and could make Italy an easier country to govern.

But the Communist leadership is also conscious of the dangers of the party becoming too distant from its own rank and file, which is less inclined to abandon too many of the pretentions of a left-*wing* party.

Sig. Berlinguer, therefore, can expect opposition within the central committee of Sig. Pietro Ingrao, who leads the left wing and has been a critic of the historic compromise. He said at the weekend that there was a "fundamental crisis" in the party about the whole question of its attitude *to the facts of modern economic life.*

There is also the question of filling the post of the party president left vacant by the death last month of Sig. Luigi Longo, who was not a wholehearted supporter of Sig. Berlinguer's stance.

Commission orders 14.2% cut in final quarter steel output

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Cobmission last night announced that under its new compulsory steel production curbs, it has decided that output for the last quarter of 1980 will be cut back by 14.2 per cent from the level of the same period last year.

The aim of the mandatory controls on steel output, agreed at the end of last week by the member governments of the Nine is to restore order to the community's market in steel. A fall-off in industrial demand in mid-year, followed by a price war between major EEC steelmakers, has seen prices in some steel products slump by over 30 per cent.

The cutback figures give the global output reduction being required in four main categories—coils and rolled products, stheet steel and other flat products, heavy sections and lighter long products. But the figures do not betray the quotas the Commission is communicating in confidence to each of the 350 steelmaking concerns whose activities will be governed by the new regime until it expires in mid-1981.

The company quotas have been worked out on the basis *of a reference period made up of a producer's 12 months* of highest output during the 36-month period ended June 30 this year. While producers are due to retain under the new quotas much the same EEC market share as enjoyed during the reference period, the Brussels authorities are to keep the details of quota allocations a closely guarded secret.

The overall cutback figures now released by the Commission are in some categories *slightly* less of a reduction than had been expected. Coils and rolled products are ot be subjected to a 16 per cent drop in output, *against a projected 20 per cent.*

For sheet steel and other flat products the drop in output is to be 12 per cent, against the 13-17 per cent target outlined a month ago, and in long products the cut is 14 per cent for heavy sections while for such lighter products as reinforcing and merchant bars the figure is 12 per cent. When first *revealing the reductions that* the Commission was aiming at, Viscount Etienne Davignon, the Industry Commissioner, warned that the cutbacks on long products could be 14-18 per cent.

The overall drop in output for these four categories when calculated against the reference period covering high production months, rather than against the *fourth quarter of 1979,* means that steelmakers are being asked to make average cuts in output of 19.6 per cent.

Brussels urges removal of Ortoli facility ceiling

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN Commission is urging EEC member governments to remove the £550 limit on loans which can be raised under the so-called Ortoli facility for schemes to combat unemployment and to promote energy developments.

The beneficiaries of the "new *Community instrument" so far* have been the three poorest members—Ireland, Italy and Britain.

After reviewing its 17 months of operation, the Commission has concluded that its ceiling on loans of 1bn units of account is unduly restrictive and has sent a formal proposal to the Council of Ministers requesting its removal. In addition, the Commission wants to be able to ask the Council for simultaneous approval of loan schemes instead of being restricted to one at a time.

Some member states, however, notably West Germany, are far from convinced that the facility should be retained.

It is argued that it merely dupliactes elements of European Investment Bank (EIB) lending activities.

The arguments were repeated at a meeting of EEC Finance Ministers last month which, however, did agree that 20 per cent of the facility's second tranche of 500m units of *acccount could* be *devoted to* housing and advance factory building in "priority regions."

The Commission argues that there is a clear demand for such *a separate loan scheme and* points to the fact that close to 75 per cent of its possible loans have either been granted or are nearly ready for approval.

Fianna Fail fears MP's outburst may cost votes

BY STEWART DALBY IN DUBLIN

A WEEKEND outburst against Mrs. Margaret Thatcher, the *British Prime Minister*, by a young Fianna Fail MP, Miss Sile De Valera, has thrown Ireland's ruling party into confusion as it approaches a crucial by-election in Donegal on Thursday.

Miss De Valera, who is a grand-daughter of the party's founder, Mr. Eamon De Valera, is thought of as a very hard line Republican.

In an unexpected speech, she called Mrs. Thatcher callous, insensitive and hypocritical because of her tough line towards the hunger strikers in the Maze prison in Ulster.

By so doing she seems to have angered Mr. Charles Haughey, the Irish Prime *Minister*. Mr. Haughey has made no public statement but Mr. Ray McSharry, the Minister for Agriculture and Fianna Fail's campaign manager, quickly announced that Miss De Valera speaks only for herself and not the party.

Donegal was one of the original nine counties of Ulster and feelings run *high* there about reunification. Mr. Haughey has always been considered more Republican than his predecessor, Mr. Jack Lynch. However, since becoming Prime Minister last December he has adopted a very low key approach to Northern Ireland.

He has maintained a tough line on co-operation with Northern Ireland security forces and he has tried to augment relations with Britain so that Mrs. Thatcher will one day consider removing the guarantee to the people of Ulster that they remain British.

It is feared that, by emphasising Mr. Haughey's soft approach on Northern Ireland, Miss De Valera could throw votes to Mr. *Paddy Kelly who is challenging* Mr. Neil Blaney for the seat. Mr. Blaney is a former political associate of Mr. Haughey who now runs what is called the Independent Fianna Fail. He is very tough on the question of reunification and very popular locally.

Scandal taints W. German wine

By Kevin Done in Frankfurt

THE West German wine industry has been hit by a major scandal involving hundreds of vine-growers and wine merchants, who have been accused by the public prosecutor in Mainz of adding sugar illegally to their wine in order to improve its quality.

For several months a team of 13 public prosecutors and detectives from the Rhineland-Palatinate in the west of the country have been investigating the sale of liquid sugar to the wine industry.

The first results of their inquiries suggest that the West German wine industry, which has an annual turnover of around DM 2bn, could face its biggest ever scandal.

Under the wine laws it became illegal at the beginning of the 1970s to add liquid sugar *either to the grape-must*—the new wine—in order to enrich it before fermentation, or to add liquid sugar later in the process in order to sweeten the wine, if it was to be sold in the higher categories of quality wine, such as "Kabinett" or "Spätlese."

Illegal sugar

According to the authorities in Mainz at least 5.7m kg of liquid sugar were sold to the wine industry following the grape harvests of 1977-79, *which alone would be sufficient* to "improve" the quality of around 200m litres of wine.

The investigation is still in its early stages and the authori*ties are having considerable* difficulties in following the track of the sugar sales. Many of the transactions were done for cash and, once introduced into the new wine, the sugar is virtually untraceable.

According to Herr Werner Hempler, the senior public prosecutor in Mainz, the illegal use of liquid sugar has already been substantiated in the case of 1,800 vine-growers and 200 wine merchants.

The biggest sales of liquid sugar has been traced to the famous wine-growing region of the Moselle valley, Mosel-Ruwer-Baar, but other well-known regions are also involved, including Rheinhessen, Rheingau, Rheinpfalz, Mittelrhein and Nahe.

Since the wine laws were introduced in 1971 the production of West German wine has been very carefully regulated and only the cheaper table wines may be improved through the addition of sugar in certain forms.

With the introduction of sugar it is possible to turn a humble table wine (Tafelwein) into various categories of sought-after quality wines, such as "Auslese" or "Spätlese." But *it is a highly illegal process* in West Germany, punishable with either fines or prison sentences of up to three years.

Dr. Franz Michel, a member of the West German Wine Marketing Board, said yesterday that the industry was concerned that the accusations could damage trust in the industry and lead to a *general discrediting of West German* wine.

Bad weather

The figures produced by the *public prosecutor suggested* that no more than 7 per cent of the wine from the three years 1977-79 had been illegally tampered with, he said.

"I hope this thunderstorm can clear the air. It can only be good for the 90 per cent of the industry which is operating legally. They have had to suffer unfair competition."

The *industry has already been* hit badly by the weather this year, which has meant that this year's grape harvest will be the worst for at least 20 years with a yield of no more than 4.5m hectolitres, about half of the harvest of 1979.

The much lower quantity means that wine prices next year could rise by at least 10-15 per cent *according to early* estimates by the Fine Federation.

The much lower level of production would have hit exports next year, any way, despite the effects of the latest scandal, and wine exports are likely to be well below 1979's level of around 1.5m hectolitres. The UK is currently West Germany's best customer taking 456,000 litres in 1979, pushing the U.S. into second place.

Greek union federation ready to strike for inflation-indexed pay

BY VICTOR WALKER IN ATHENS

THIS YEAR'S Greek wage negotiations will be very different from any since the dictatorship collapsed in 1978.

The Greek General Confederation of Labour, which represents most private-sector unions, is demanding automatic wage adjustments to match rising living costs, rather than the usual percentage increase. Two successive years have seen inflation rates of 25 per cent, and the Government's optimistic estimate for 1981, that the rate "ought to be no worse," could be illusory, if not just whistling in the dark.

The other components of the confederation's opening bid are *more routine. They include* a 40-hour, five-day week "eventually," more generous housing loans, improved medical care, a minimum pension equal *to 80 per cent of pay at retirement*, income tax reforms, compulsory deduction of union dues from salaries, amendments to legislation on wage negotiations, ratification of an international labour convention on worker representation, and the right to establish a "bank of workers" to finance such programmes as workers' housing and co-operative stores.

But a 24-hour general strike is to be called as a warning in the first half of this month if the principle of inflation-indexing has not been accepted by then. Mr. Christos Karakitsos, the confederation's secretary-general, describes the union position as "all or nothing."

Mr. John Piperoglou, *secretary-general* of the Federation of Greek Industries, the employers' federation, says automatic adjustment would be extremely dangerous, containing an "invitation to constant inflation and eventual bankruptcy."

The Government clearly does not favour inflation-indexing: if the private sector adopts it, the civil service would want it too.

A compromise is beginning to emerge. The union confederation insists that a worker spends about 30 per cent of his income on rent, and wants the basket of 300 goods and services, on which the consumer price index is calculated, adjusted accordingly.

But consumer prices are obviously strongly influenced by oil prices which, the employers believe, should be discounted. They argue that no one *should* take advantage of a transfer of resources to the oil-producing countries. Removing oil from the index would bring inflation-indexed wage rises closer to the *15 per cent achieved by normal* wage bargaining this year and last.

"Supporting workers' incomes with tax relief measures is preferable to increasing salaries," said Mr. George Rallis, left, the Greek Prime Minister, in Salonica in September. Wage increases, with tax relief, would "more than cover" cost-of-living increases, he said

A third component of the compromise would be tax *relief. Mr. George Rallis, the* Prime Minister, said in Salonica in September: "The policy of supporting workers' incomes with tax relief measures is preferable to increasing *salaries." Next year, he said,* wage increases with tax relief would "more than cover" cost-of-living increases.

The outcome could hinge not *only on whether the union confederation* accepts a downward adjustment of the cost-of-living index, but also on whether an acceptable way is found of calculating the contribution of oil price rises to it.

It will also depend on the confederation's strength at the negotiating table. The annual national labour contracts pro*vide a strong indicator for* settlements between individual unions and employers, but the question remains: how firmly can the confederation make an agreement stick.

The union movement may have made a fundamental tactical error in the late 1970s, after the experience of the dictatorship, when private-sector employees swung away from national unions to factory-level organisations. Their basic misconception was that democratic governments would attempt to take over large unions, as the colonels had done. As a result, they lost that part of union strength which derives from sheer size.

Employees in the public and *semi-public sector set off in the* opposite direction, consolidating their national organisation. The result, as the Federation of Bank Clerks demonstrated *early this year,* is that unions outside the private sector can be far more successful in "stopping the country."

The Confederation is to some *extent being squeezed* between the growing left-wing influence on the shop-floor and the need for a responsible policy towards private enterprise.

Thus, the confederation accepts the official assessment of a 2.2 per cent unemployment, with the proviso only that the real rate would be around 4 per cent if young people looking for their first jobs were included.

But while the Government believes Greece can avoid serious unemployment after accession to the European Community next January, the confederation sees a very real danger of much higher unemployment. This would arise mainly because of general world trends, but in part because of the effects on marginal industries of multinational competition after Greece joins the Community.

Thus it has urged the Government and Opposition leaders to agree on a national investment policy, binding on all parties and therefore unaffected by next year's elections.

Only more investment, private and public, can head off unemployment, it believes. This attitude is rather closer to the Government and employers than to, the main Opposition groups. And it implies that the confederation is unwilling to worsen the unemployment *risk by helping to force weaker* industries to the wall.

Norway ships deal

The Norwegian America Line (NAL) has sold its two cruise liners, *Vistafjord and Sagafjord*, to Leif Hoegh and Co, the Oslo shipowner, according to Mr. Einar Joys, managing director of NAL. The transaction came only six months after NAL and Hoegh joined in establishing a new cruise company, Norwegian American Line Cruises A/S, which operates the two cruise liners, writes our financial staff.

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Strike in Assam as immigrant protests flare

NEW DELHI — A 12-hour general strike crippled parts of India's north-eastern state of Assam yesterday where a year-old protest against immigrants has flared again.

Shops, banks and companies closed in Gauhati, the state capital, following a strike call by Assamese militants demanding the expulsion of all illegal immigrants, the Press Trust of India reported.

It said that state employees defied official warnings and joined the strike. The government said yesterday it would cut wages if employees stopped work.

The strike also hit drilling in oilfields in Upper Assam, but operations which started yesterday to flush out about 80,000 tonnes of crude blocked in pipelines were continuing.

Troops guarded oil installations in the state, which produces 5.5m tonnes of crude a year.

Officials said the oil would have frozen this winter, endangering the 750-kilometre (460-mile) pipeline.

Leaders of the anti-immigrant movement said they would intensify picketing of oil pumping stations.

The strike was called to protest against the death of a government employee killed when police opened fire on Saturday on an anti-immigrant demonstration in Dispur, near the state capital.

The authorities imposed an indefinite curfew yesterday in Dispur, where troops freed about 40 legislators who had been besieged at their hostel for six days by demonstrators. Reuter

K. K. Sharma adds: The students want all "foreigners" (mainly illegal immigrants from Bangladesh) to be deported from Assam.

The Government has agreed, but thinks it would be impractical to deport those who entered Assam before 1971, while the students insist on deportation of "foreigners" who came in after 1951.

Fears of further violence have increased following indications that the Government will act firmly.

Nuclear plan urged by China's scientists

By Tony Walker in Peking

CHINESE scientists have urged the construction of six nuclear power plants by the early 1990s.

According to Xinhua, the official Chinese news agency, the scientists have told the government that "a long-term, stable policy of nuclear energy development is important for solving China's energy problem."

They also formed "a nuclear energy leading group" to draw up a long-term nuclear energy development plan.

During the recent visit to China by the French President, M. Valery Giscard d'Estaing, China and France agreed in principle to "reactivate" an agreement for the sale of two nuclear power stations to China.

The French-built nuclear reactors, costing about $2bn, will either be located near Shanghai or in Guangdong province, South China.

The scientists met in Peking over the weekend under the auspices of the State Scientific and Technological Commission, the State Planning Commission and the State Energy Commission.

The high-level patronage suggests China, faced with serious power shortages, is thinking very seriously indeed about developing a nationwide nuclear power industry.

Wen Rui, Deputy Director of the Power Bureau of Guangdong province, told the meeting Guangdong lost about $4bn worth of industrial output last year because only 61 per cent of its electrical power requirements could be met.

Guangdong and Hong Kong are holding discussions on a possible nuclear power plant in Guangdong to be built to serve both the province and the British colony.

Professor Lu Yingzhong, a nuclear scientist from Qinghua University, told the meeting that though conserving fuel was the best short-term policy, nuclear power was the best long-term alternative.

China is believed to have reasonable quantities of uranium.

The specialists recommended a standard generating capacity of 900,000 kilowatts for the six proposed plants.

AP-DJ adds from Peking: The Chinese Government has ordered oil-burning industries and electric power stations to convert to coal by the end of 1985, China's official Xinhua news agency reported.

Pik Botha to visit London for talks

BY OUR JOHANNESBURG CORRESPONDENT

MR. R. F. PIK BOTHA, the South African Foreign Minister, is expected to visit London next weekend, where he will hold talks with Lord Carrington, his British counterpart. A major topic is likely to be the negotiations on the future of Namibia (South West Africa).

Although the visit has to be confirmed officially, Mr. Botha is expected to leave South Africa at the end of the week, and meet Lord Carrington on Monday. He is also likely to meet other people.

The trip comes at a crucial time in the UN-led exercise to negotiate a peaceful transition to independence in Namibia, with a report due at any time from Dr. Kurt Waldheim, the UN Secretary-General, on progress achieved during the latest round of talks in Pretoria.

If no tangible progress towards a ceasefire and UN-supervised elections can be shewn, there are likely to be renewed demands for sanctions against South Africa in the UN Security Council.

The UN team is believed to have returned from Pretoria with South African Government agreement to set a time-table for elections once certain conditions had been fulfilled. They would include both measures to prove UN impartiality, and some form of all-party talks to finalise details for implementation of the UN election plan.

All-party talks are likely to run into problems over which parties should attend, and in what capacity. South Africa is keen that the "internal" Namibian parties should be full participants, but the South West Africa People's Organisation (SWAPO) has always maintained they could only attend as part of the South African delegation.

British diplomats insist that their Government cannot play a lone role, as it is committed to the strategy of the five Western members of the UN Security Council. But the South Africans undoubtedly see the British Government as the most sympathetic to their case, and the Security Council member most likely to veto sanctions proposals.

Pik Botha

Quentin Peel reports from Johannesburg on S. Africa's efforts to break out of isolation

Pretoria finds new friends in far-away places

FOR A visting American comedian making a guest appearance on South African television, Shelley Berman was recently guilty of a very tactless remark. But it was brutal enough to raise a nervous laugh from his audience. He was describing his flight to South Africa on a South African Airways jet, which takes a route all the way round the bulge of West Africa to avoid flying over hostile countries. "There are an awful lot of people who don't seem to like you," he said.

It is a home truth which the government-controlled broadcasting media spend a lot of time and energy seeking to disprove, by parading a seemingly endless list of previously unheard-of international pundits before the cameras to deny South Africa's increasing isolation. But despite those efforts, that isolation has been emphasised once more, not just by Mr. Berman, but ironically by two goodwill visits—by Mr. P. W. Botha, the Prime Minister, to Taiwan, and by the Springbok national rugby football team to Latin America.

The guest list at the state banquet in Taipei earlier this month was revealing enough: it consisted of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Panama, Paraguay, South Korea and Uruguay. But the fact that Taiwan has even fewer friends than South Africa does not seem to have discouraged Mr. Botha. By all accounts, he returned deeply impressed from what was his first foreign visit since he became Prime Minister two years ago.

> **The highlight of Mr. P. W. Botha's visit to Taiwan was a visit to the College of Political Warfare. "These are my kind of people," he said.**

Yesterday, South African Airways started a regular weekly flight from Johannesburg to Taipei, via Mauritius, the first tangible demonstration of the growing ties between the two countries since Mr. Botha's visit. But those links are already considerable: two-way trade is running at around R200m (£111m) a year, which does not include the R330m (£183m) contract for the sale of 4,000 tonnes of uranium signed in Cape Town last March, when Mr. Sun Yun-suan, Taiwan's Prime Minister, visited South Africa. South Africa provides most of the trade, including maize, coal, asbestos, iron ore, Copper and steel. In return, South Africa buys textiles, footwear, electronic and photographic equipment, and machine tools.

It is the political identity of interest which has been the main factor behind the rapid growth in trade (up by 45 per cent last year) across 9,000 miles. For Mr. Botha, the highlight of his recent visit was a trip to the College of Political Warfare, the island's main centre of anti-Communist indoctrination. "These are my kind of people," he told his companions. "We have a great deal to learn from them." He even risked the wrath of Puritan church leaders back in South Africa by wearing a feather headdress, and joining vigorously in the dancing at an aborigine village, according to the local Press.

On his departure, Mr. Botha hinted at increased co-operation both in military hardware and nuclear development—the latter, he stressed, for peaceful purposes. It would put Taiwan in the same category of South African friends as Israel, with which there are considerable, if unpublicised, military and scientific exchanges.

In terms of overall trade, South Africa's new-found friends remain relatively insignificant, but their relations are expanding at a disproportionate rate. The six countries to which South African exports grew fastest last year were Ecuador (402 per cent), Chile (348 per cent), Switzerland (346 per cent—as a result of diamonds being re-routed from London), South Korea (191 per cent), Israel (84 per cent), and Taiwan (45 per cent).

Trade has not been the only token of friendship from Latin America: tourism from Argentina has increased in leaps and bounds in the past two years—although foreign exchange restrictions may now slow it down. Now the Springbok rugby side has just completed its first international tour of the past decade, visiting Uruguay, Paraguay and Chile.

The only country to refuse to play host to the Springboks was Argentina, which is the only one which can boast real interest in the sport. In the two international matches, all the players came from Argentina.

But perhaps the crowning insult of the tour came from their own side: the Springboks were invited to a reception by the South African Ambassador in Montevideo, and were told that if they misbehaved, they would have to leave. Even the carpets were taken up. If only to prove that rugby remains the all-abiding passion of South Africa, even if the opponents are not up to scratch, the hapless ambassador has since been recalled

Algeria and Morocco resume Sahara talks

BY ROBERT GRAHAM IN MADRID

NEGOTIATIONS between Algeria and Morocco have resumed in an effort to reach a compromise agreement on the conflict in the Sahara. Both Algeria, which is backing the Polisario guerrillas, and Morocco appear willing to moderate their respective position.

Secret talks have been denied by both sides. However reports reaching here suggest that Algeria and Morocco are anxious to come to terms. The public evidence of this came in a speech by President Chadli Benjedid on October 30 marking the 26th anniversary of the Algerian rising against French colonial rule.

According to reports reaching here from Morocco, the Algerian armed forces have also begun to try to prevent the guerrillas from entering undisputed Moroccan territory. After a recent attack, two Algerian MiGs flying over the Polisario were heard to order the column back inside Algerian territory.

The Moroccans will have to make some territorial concessions, according to the reports. But there is understood to be a growing identity of view between the Algerian leadership and King Hassan of Morocco on the need to isolate growing Libyan influence in North Africa.

Libya has recently made efforts to gain influence in Polisario, according to well-informed sources in Algiers. Now a number of Polisario fighters are stationed inside Libyan territory having passed through Mauritania.

The Moroccan view is that Algeria wants to strengthen its position in Mauritania through shifting the focus of Polisario activity to that country.

Whether Morocco is prepared to accept an independent state run by the Polisario—even granting some territorial concessions to King Hussan—remains uncertain.

A Polisario-run independent state is a key Algerian condition. But the cost of the continuing war in both political and economic terms is reportedly making the King seriously consider this option

One reason advanced here for the curious protocol changes in the Queen's visit last week was King Hassan's pre-occupation with top level negotiations over the Sahara.

Grim outlook for Thai economy

BY DAVID BUTLER IN BANGKOK

TWO AUTHORITATIVE reports drawn up for policymakers working on Thailand's fifth five-year plan (1982-1986) contain gloomy forecasts of the country's economic future.

A 220-page World Bank report "Thailand: coping with structural change in a dynamic economy" predicts a rise in the current account deficit from Baht 42bn (£8.4m) in 1979 to Baht 78bn by 1985, and a huge increase in foreign borrowing, from last year's Baht 76bn to at least Baht 400bn by 1985.

Planners at the Government's National Economic and Social Development Board (NESDB) have forwarded to the Cabinet their own recommendations for the five-year plan. Although basing some of their predictions on the World Bank report, the NESDB assessment is even more pessimistic.

It warns that unless there are major reforms, the trade deficit could rise to an annual level of Baht 128bn in the period covered by the plan (the projected deficit for 1980 is Baht 60bn). The NESDB report predicts an annual current account deficit of Baht 146bn and foreign borrowing of Baht 520bn by 1986.

Neither report has been officially released, but details of both have been leaked to the Press.

The NESDB report forecasts that the servicing of foreign debt could reach 25 per cent of the country's export income by 1985.

Malaysia threatens export ban on unprocessed raw materials

BY PHILIP BOWRING IN KUALA LUMPUR

DR. MAHATHIR MOHAMAD, Malaysia's Deputy Prime Minister, yesterday threatened that Malaysia might ban the export of unprocessed raw materials in order to force local processing of the nation's natural resources.

Malaysia is the world's largest exporter of rubber, tin, palm oil, tropical hardwood and pepper. Dr. Mahathir was speaking at the opening of the Investment in Malaysia conference organised jointly by the Financial Times and Bumiputra merchant bankers.

The often outspoken Deputy Prime Minister said that local and foreign investors must "see the writing on the wall." The government would not "permit Malaysia to continue as a mere exporter of raw materials."

Processing in the developed countries went "against the natural law" and Malaysia "must have the full benefit of the comparative advantage" that Dr. Mahathir said that export bans, or at least very much higher export taxes on unprocessed products, might be forced on the government by "private businessmen who have had the vision to see that future exists in Malaysia" for local processing.

The government would ensure supplies and reasonable prices for manufacturers who processed locally.

Elaborating on Dr. Mahathir's theme, Datuk Paul Leong, Primary Industries Minister, said development of primary commodities would be through both vertical and horizontal integration, with processing not only of the main products, but also better utilisation of by-products and wastes.

Rubber plantations should not only yield latex, but rubber

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wood should be processed into timber and rubber seeds extracted for oil.

The timber industry was particularly suited for greater downstream processing. Because of the government's conservation policies, log production was expected to be reduced from the current 7m tonnes to about 3m tonnes eventually.

Tun Tan Siew Sin, chairman of Sime Darby Berhad, and former Malaysian Finance Minister, also drew the attention of the conference to the opportunities for investing in local processing of timber, rubber, palm oil and other products. However, he noted that two nearby developing countries, South Korea and Taiwan, though not growers of rubber, had been very successful in the production and export of rubber products. South Korea exported some U.S.$800m a year of rubber goods, eight or ten times the Malaysian total.

Mr. Tasuku Takagaki, director of the Bank of Tokyo, cited two bottlenecks impeding greater industrialisation.

He said there was a need to improve infrastructure such as ports, roads, electricity and water supplies, particularly in the less developed areas, and quality of skills, especially mid-level experise, had to be upgraded and expanded.

In his first major speech since becoming governor of the Bank Negara (Central Bank) in July, Datuk Abdul Aziz Taha warned of the dangers of inflation affecting Malaysia.

So far, Malaysia had kept inflation well below that of the average for the OECD countries, but this stability was being "increasingly threatened." Prices were now increasing at 7 per cent.

Tunku Armed Rithauddin, Malaysia's Foreign Minister, used the conference to contrast the peaceful conditions and rapid economic development in the five member states of the association of South East Asian Nations (ASEAN) with conditions in Indochina. However he warned of the dangers of a "spillover" of the Vietnamese invasion in Kampuchea into Thailand.

Jurek Martin, U.S. Editor, in Washington, analyses whether the candidates or the media have set the tone for the Presidential election race

Laying the blame for 'this mean, dispiriting campaign'

"I WONDER," Mr. John Sears wrote two days after the Carter-Reagan debate, "whether the people aren't a little exasperated with the Press, especially television. You see, the Press is unwilling to say what it thinks, but more than willing to overstate, misrepresent and make false claims in the guise of discussing how it thinks the people will react."

Mr. Sears speaks from experience because he managed Mr. Ronald Reagan's presidential campaigns until he was ousted last February. His natural prejudice aside, he has touched a raw nerve of this year's election: is it the fault of the candidates or the media that this has appeared such a mean, dispiriting campaign?

That the media has "made" news this year cannot be disputed: Senator Edward Kennedy's stumbling interview with CBS on Chappaquiddick last November did more than anything else to blight his candidacy: Mr. Walter Cronkite acted as a public intermediary between Mr. Reagan and former President Gerald Ford at the Republicans' Detroit convention: President Jimmy Carter "confessed" to Barbara Walters that maybe he had been a bit hard on Mr. Reagan: Mr. Carter also believes the media "created" Mr. John Anderson's independent candidacy, because it wanted a "difference." But these highlights must be contrasted with, and considered separately from, the daily diet.

It is important to understand the most important part of the U.S. media, and how it operates. Unlike some of its European counterparts, it strives consciously to divide news from opinion. It is probably no more than coincidence, but this year has also marked the passing of the era of the influential, opinion - forming newspaper columnist, for which the U.S. press was once justly famous. The accent on news is all the more evident in television, because the commercial networks run so few analytical programmes, compressing the great majority of its coverage into half-hour programmes with no item running for more than three minutes unless it is of exceptional merit.

But the media in the U.S., like everywhere else, is incestuous. The commercial television networks operate out of New York and Washington and, in practice, derive much of their source material, and their judgments, from the establishment newspapers in those cities, the New York Times, the Washington Post, and, less frequently, the Wall Street Journal. When, for example, Mr. Lou Cannon, the Post's veteran Reagan watcher, writes that the candidate is up, or down, it becomes instant and widely disseminated wisdom.

Excellent and perceptive political reporting is not confined to these cities, but it provides less grist for the mill. Only Mr. Jack Germond of the Washington Star, to my mind the best instinctive daily political journalist, has cracked this privileged market, and even he is at least nominally Washington-based. The Los Angeles Times, the Boston Globe and the Baltimore Sun, three newspapers with good political coverage, serve their own regional audiences, only rarely filtering through to the national scene.

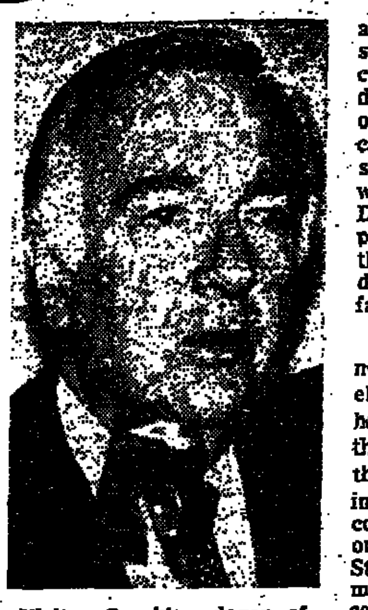
Given the incestuous reality and the fact that most Americans rely increasingly on television to keep themselves informed, the focus must thus be on what originates in Washington and New York, isolated though they may be from the rest of the country. It is against the mightiest organs in the land that Mr. Sear's blast is levelled—and that of the politicians, who increasingly complain that the media, and especially television, trivialise but do not enlighten, focus only on winners and losers and not on whys and wherefores.

It is undoubtedly true that the familiarity of the Press with the candidates and their positions does breed a form of contempt and boredom over the long months. Earlier in the year, when everyone was fresher, serious analysis of foreign and domestic policy issues was much more prevalent. Yet precisely when the nation begins focusing on the presidential nominees, the Press, which has been on the trail as long as the candidates, finds it hard to rekindle its enthusiasms for regurgitating positions it has heard all too often.

One survey, conducted by George Washington University here, detected the trend. It took a look at CBS evening news reports between January and June and again in the six weeks beginning on September 1. In the initial period it concluded that more than a third of the news stories on both Mr. Carter and Mr. Reagan could be classified as "positive," whereas in the second the percentages dropped to 5 and 8 respectively. Yet it is hard to prove that the performances of the candidates had deteriorated to that extent.

It is probably fair to say that, collectively, the Press does not like President Carter, perhaps for good reason, and has tended to treat Mr. Reagan a little more kindly. The Washington Post's editorial pages, for example, cannot abide the President, but last week grudgingly endorsed him, as the New York Times, with equal reservations, did a week before. The formidable Mr. Cronkite seems to have a soft spot for Mr. Reagan. ABC news, with its tendency to confuse entertainment and news, also appears subcutaneously to favour the old actor.

On the other hand, the establishment media had a pronounced tendency earlier in the year to dismiss Mr. Reagan as too awful for words. This manifested itself in a rush to elevate Mr. George Bush, whose negligible electoral record was conveniently forgotten, and later in the spring Mr. Anderson who, after all, never won a primary. Mr. Reagan's age used to be considered a factor then. It may still be, but is hardly mentioned now.



Walter Cronkite, doyen of television newsmen.

The other characteristic which has marked coverage this year has been the explosion in the use of polls. It is a matter of debate whether polls become a substitute for thought, although in a confusing election year they may be the best crutch around. ABC news, however, made a quantum leap forward after the Carter-Reagan debate with its fatuous and deeply flawed phone-in survey — as erroneously conceived as the infamous literary digest poll of 1936 which sent out postal votes to registered car-owners and reported, in all seriousness, that Alf Landon was going to swamp Franklyn Delano Roosevelt. Yet the ABC poll, fostering the impression that Mr. Reagan "won" the debate, may itself become a factor today.

Assessing how the major newspapers have covered the election — and whether they have, albeit unwittingly, created the political imagery which they then deplore—is obviously invidious. But screwing one's courage to the sticking point, one would say that the Wall Street Journal is to be commended, although with the caveat that its coverage has been more selective; that the Washington Post has been good and bad in parts; and that the New York Times has been strangely muted, clearly missing the experienced hand of R. W. Apple, now a foreign correspondent, but who had been along the campaign trail many a time.

The end result is to be confronted with the problem of the chicken and the egg. It never was soluble.

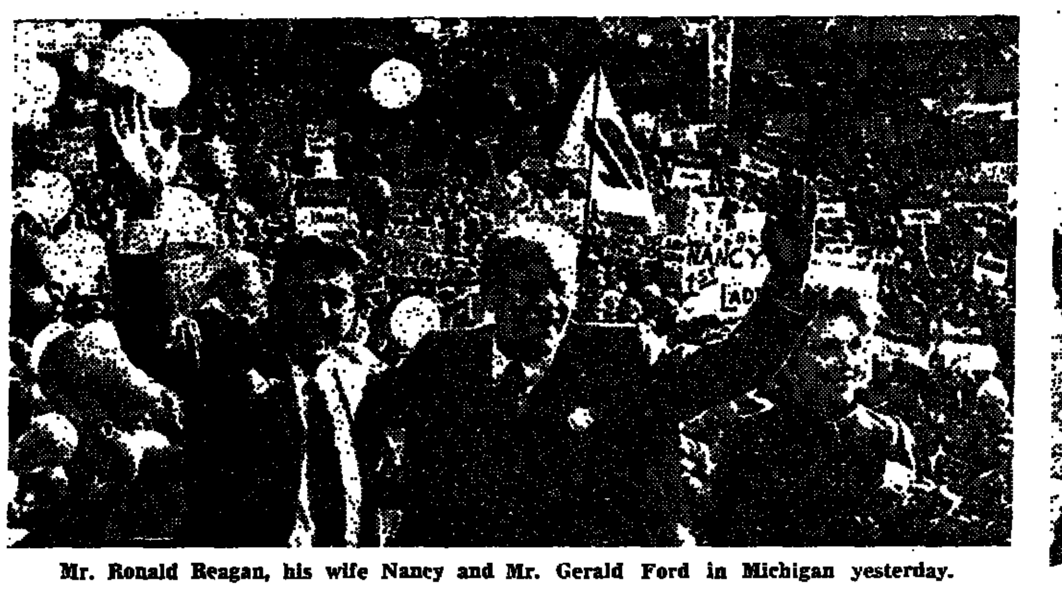
Battle for the prize state

By David Buchan in Los Angeles

STATE OFFICIALS in Los Angeles yesterday predicted a lighter-than-average turnout in today's polling in California, the biggest prize of all, where both President Jimmy Carter and Mr. Ronald Reagan have chosen to make their final 1980 campaign stops in a bid for 45 electoral college votes.

This is bad news for Mr. Carter, whose chances of pulling a really major upset on Mr. Reagan, in defiance of the the opinion polls, depend on the relatively long-shot possibility of carrying the Republican candidate's home state.

Four years ago, Mr. Carter lost California quite narrowly by 140,000 votes, or 1.7 per cent of the total. But to reverse this, he needs a heavy turnout of traditional Democratic constituencies.



Mr. Ronald Reagan, his wife Nancy and Mr. Gerald Ford in Michigan yesterday.

Using evidence of abesntee ballots, officials reckon today's turnout will be around 79 per cent of registered voters, against an historic average of over 81 per cent.

There is no very tight Senate race to bring Democrats out in great numbers to the voting booths. Senator Alan Cranston, the second highest ranking Democrat in the Senate, is expected to win re-election fairly easily from California. Nor are there many controversial referendum proposals on the California ballot

But by travelling West, Mr. Carter exploited the time zone advantage to get in a long last-day swing, which, for both major candidates, included Oregon. It would be no surprise if the President carried Oregon, with its six electoral votes, although both of its moderate Republican Senators — Bob Packwood (up for re-election) and Mark Hatfield—have come to Mr. Reagan's help.

It has been of major benefit to Mr. Reagan to have had a lock on most of the West, compared with Mr. Carter's shaky base in the South Republicans hope they can make a clean sweep of the region, and Mr. Dick Richards, the Reagan campaign's Western co-ordinator, believes it possible that Hawaii could desert its traditional Democratic allegiance this year.

He argues that recent Far Eastern immigrants from Taiwan, Japan and Vietnam into Hawaii have brought with them a greater concern about national defence, and this could rebound to Mr. Reagan's benefit.

Mr. Jimmy Carter campaigns in San Antonio, Texas

THE OTHER CANDIDATES

Choice stretches from Anderson to Angela Davis

BY OUR U.S. EDITOR

MR. JOHN ANDERSON will not be the only independent, or to be more precise, third party candidate on the U.S. ballot today. At least 10 other political organisations will be offering their wares to the public.

In every state, the voters will see the names of Mr. Ed Clark and Mr. David Koch under the banner of the Libertarian Party. The Citizens' Party, led by Mr. Barry Commoner and Mrs. Ladonna Harris is standing in 30 states, and the Socialist Workers' Party in 29. In 25 states the Communist Party ticket features Mr. Gus Hall and Mrs. Angela Davis.

Since Mr. Anderson is a man without a party, the Libertarians can lay fair claim to being the institutional alternative to the Democrats and the Republicans.

The Libertarian Party's name embodies its philosophy. It wants, in effect, not just less government interference in all walks of life, domestic and foreign, but minimal Government. Rugged individualism, it argues, is the answer to America's problems.

Thus the Libertarians would end most of the U.S.'s foreign alliances, bring home most troops from overseas, reduce the defence establishment to the bare minimum needed for national security, dismantle almost all federal agencies (including the Central Intelligence Agency) and, for good measure, legalise prostitution and permit the use of most narcotics.

The Party's strength is to be found mostly in California and Alaska the last outpost of the pioneering spirit. Mr. Clark ran for the Governorship of California in 1978 and won 5.5 per cent of the vote. Four years ago his predecessor, Mr. Roger MacBride, secured a similar percentage of the Presidential vote in Alaska.

The Libertarians are quite well financed, partly because Mr. Clark's running mate chipped in with $500,000 from his personal fortune. Their television advertisements have been frequent and professional. But Mr. Clark is a realist and knows he will not get far against Mr. Jimmy Carter, Mr. Ronald Reagan and Mr. Anderson. The party could nevertheless elect some local officials.

The Citizens Party, founded in 1979, is a loose coalition of disaffected liberals and environmentalists. Its standard bearers are nationally known. Mr. Commoner is a foremost environmental scientists and auther and Mrs. Harris, wife of the former Senator and Presidential candidate Fred Harris of Oklahoma, is a full blooded Comanche Indian and a noted and articulate feminist.

The Citizen Party platform, under the label of economic democracy, seeks to break what it sees as the pervasive grip of corporate power on the country. It is strongly anti-nuclear and pro-solar. Not surprisingly, given its views, it has had some difficulty raising money.

Of the four fringe parties of the Left, both the Socialist Workers and the Communists have run Presidential candidates for years with scant success. Mr. Gus Hall is an enduring feature on the political landscape, while his running mate, Miss Angela Davis, is well remembered for her past role as a black power activist.

On the Right, Mr. George Wallace's old American Independence Party still survives in rump form under Mr. John Rarick, one-time Congressman from Louisiana. But it, like the other aspirants, will do well if it records a blip on the electoral radar screen.

THE OTHER ELECTION ISSUES

Nuclear power, property tax, and the hunting of mourning doves

BY OUR U.S. EDITOR IN WASHINGTON

OF ALL the issues, as opposed to politicians, on which the public will pass judgment today, none has generated as much heat as that facing the citizens of South Dakota.

They are being asked whether it should be legal to hunt mourning doves. South Dakota is a big hunting state. Its pheasant season opened to a state-wide crackle of grapeshot last month. The television stations there are being bombarded with pictures of old Joe Foss, venerable one-time governor, mumbling that it is somehow unconstitutional to protect the mourning dove, of which there are, in any case, millions.

Millions of a different sort, tax dollars, are again the preeminent feature in more than a dozen states across the country, as the legacy of Proposition 13 in California filters through.

The most significant are those in Massachusetts and in Michigan. Proposition 2½ in the former would cut annual property taxes to 26 per cent below the current average levy. It would also reduce the state's car tax take by more than 50 per cent.

Its proponents claim it would save the taxpayer $400m (£164m) in 1982, the first year it would take effect.

In Mitchigan, the Draconian Tisch amendment, the most severe in a long line of such proposals recently put in front of the state, would roll back property tax valuations to 1978 levels, halve the tax and valuation revenue but still oblige the state somehow to make up the lost money which could amount to $2bn.

In both states, the propositions are given fair chances of passage. In Michigan the issue has produced a classic split between the cities, like Detroit, who see their strained financial resources drying up even further, and the more affluent smaller towns and rural areas.

Opponents of the Michigan amendment have noted that Standard and Poors, the rating agency, has pointed out that the state's creditworthiness could be damaged.

Five states, Oregon, Missouri, Montana, South Dakota and Washington, have amendments on the ballot that are aimed at limiting the growth of nuclear power facilities, focusing on the critical question of the disposal of nuclear waste.

These issues are inherently different from that which confronted Maine two months ago. There the question was whether or not the state's sole nuclear power facility should continue in operation. The nuclear waste issue is of broader concern.

Several states and the District of Columbia have polls on another hardy perennial —the legalisation of assorted forms of gambling, designed to generate the revenue which may be lost by reductions in other forms of taxes.

Of more parochial interest is an item on the ballot in Dade County, Florida, embracing Miami, which would abolish the county's bilingual laws. Minnesota, with its strong Democratic traditions, is contemplating whether to go further and permit more wide-ranging referenda procedures.

California is wondering whether to follow Minnesota down the road of curtailing smoking in public places. And in six southern counties of New Jersey, voters will be asked whether they want to secede from the garden state.

Algeria makes an ideal mediator

BY ROBERT GRAHAM IN MADRID

THE ALGERIAN Government had built up a position of trust with Ayatollah Khomeini even before he returned to Iran when the Shah went into exile.

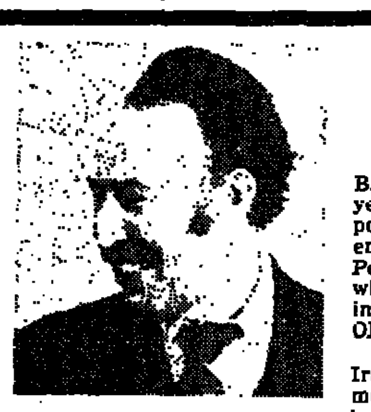
But Algeria's carefully diplomatic role in the Iran-Iraq war has made Algeria an ideal intermediary over the hostages. The official Pars News agency has said that Mr. Mohammed Ali Rajai, Iran's Prime Minister, had agreed with the Algerian Ambassador in Tehran that Algeria would eventually take charge of the hostage issue.

The possibility of Algeria assisting in the hostages' release is believed to have been discussed in some detail just over two weeks ago by Mr. Rajai and Mr. Mohammed Benyahia, Algeria's Foreign Minister, at the UN in New York.

Algeria has been reluctant to provoke an inter-Arab split by siding with Iran, and has not gone along with the openly pro-Iran position of Syria and Libya. But Algerian officials now do not conceal their distaste for Baghdad's action. They see the Iraqis as the clear aggressors. One official present during the negotiations in Algiers which led to the March 1975 Iran-Iraq border treaty, said that President Saddam Hussein, then the Iraqi number two, considered the deal fair.

When Ayatollah Khomeini was forced to abandon his exile in Iraq in October 1978, he went to France thinking he would move on to Algeria. He and his advisers believed the experience of the Algerian revolution had made the latter especially sympathetic to his revolutionary struggle against the Shah. That he never went to Algiers was purely circumstantial.

The late President Houari Boumedienne was ill in Moscow, and the Algerian leadership could not make up their minds on his request for asylum. The Ayatollah's aides also realised that France offered a better international platform.



The late President Boumedienne

OPEC postpones its Baghdad summit

BAGHDAD — Iraq announced yesterday the indefinite postponement of a summit conference of the Organisation of Petroleum Exporting Countries which was scheduled to be held in the Iraqi capital today on OPEC's 20th anniversary.

Mr. Tayeh Abdul Karim, Iraq's Oil Minister, said several members of the world oil cartel had proposed the postponement because of the current war between Iraq and Iran, both OPEC members.

"Iraq reserves the right to invite the OPEC summit to be held in Baghdad on a future date to be agreed upon by member-states." Mr. Abdul Karim said in a statement reported by Iraq's official news agency.

OPEC has also postponed a seminar on its long-term strategy, due to take place in Vienna later this month. The seminar, to have been chaired by Sheik Zaki Yamani, the Saudi Arabian Oil Minister, was the fourth meeting cancelled since the Gulf war broke out.

An OPEC spokesman declined to give any reason for the postponement or to say if the seminar—normally an annual event would be rescheduled.

Agencies

Fed introduces new reserve rules for banks in the U.S.

BY DAVID LASCELLES IN NEW YORK

NEW RESERVE requirements in U.S. banks—and, for the first time, foreign banks—take effect this week. Their aim is to make it easier for the Federal Reserve to implement credit policy. But the immediate effect will be to complicate the money supply at a time when the Fed is already having a tough job keeping it under control.

The changes are one of several sweeping reforms in the Depository Institutions Deregulation and Monetary Control Act passed last March.

As from November 1, all banks operating in the U.S., domestic and foreign, will have to comply with Federal Reserve requirements. They will thus have to place with the Fed, interest-free, a proportion of the deposits they take in, varying from 3 to 14 per cent depending on type.

But, to soften the blow, the requirements will be phased in over about six years.

Previously, only banks belonging to the Federal Reserve system had to comply with requirements. These were the large national banks, which are obliged to join, plus others which join voluntarily for financial or prestige reasons.

The banks most affected by the change will be smaller banks, and foreign banks which were previously exempt. Both categories will lose a useful competitive edge because the reserves will add a few basic points to the cost of funds.

The change will add muscle to the Fed, by enabling it to call in reserves from every bank in the U.S., but the monetary authorities are concerned about its short-term effects.

Because there is a two-week reporting lag in the monetary system, banks will not have to put up the reserve until November 13. But from that date the Fed expects the changes, along with the huge accounting problems involved, to distort the money supply figures for some time.

Further complications will arise on January 1, when banks nationwide will be allowed to pay interest on current accounts under the same Act.

The uncertainties thrown up by the reforms were among the reasons why the Fed was reluctant earlier this year to set money supply growth targets for 1981.

Iran demands minister's release

BY OUR FOREIGN STAFF

IRAN HAS demanded the immediate release of its Oil Minister, who was captured by Iraqi forces near Abadan last Friday. The Minister, Mr. Mohammed Jawad Tunguyan, was inspecting the damage to Iranian oil installations with five senior aides when he was ambushed by the Iraqis.

His capture is an important propaganda victory for Iraq as the war with Iran moves into its seventh week without noticeable progress on the ground. The Iranian Government says Mr. Tunguyan should be released under "all international codes and regulations."

The Iraqi newspaper Al-Thawra (Revolt) said Mr. Tunguyan was lucky to have been captured, rather than "burned in the fires of war," a fate surely in store for other Iranian leaders. Under the headline "Iran— no oil, no Oil Minister," it taunted Iran's rulers, suggesting they should also leave Tehran and the holy city of Qom and try their luck near the front line.

On the battlefront, fighting continues around the Iranian refinery city of Abadan, which has come under heavy artillery bombardment.

Iraq says its forces repelled a strong Iranian counter-attack around Abadan on Sunday, killed 74 Iranians and destroyed seven tanks. One of their own aircraft was lost in raids on Ahwaz, Hamadan and Mahabad, but Baghdad claimed one Iranian Phantom jet shot down. It said Iranian aircraft had attacked three towns, Sulamaniyah and Tamaan in the north and Massan in the south.

Tehran radio, which tends to be more imaginative than Baghdad in its accounts of the fighting, said 20 Iraqi tanks were destroyed and at least 100 Iraqi soldiers killed in fighting around Ahwaz.

Some 240 miles north of Tehran radio claims, a battle of the "utmost intensity" is raging near the border citw of Mehram.

West's aim to cut oil imports 'can be reached'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

WESTERN COUNTRIES can readily achieve the cuts in oil imports and consumption they aim to make during the coming decade—even though the goals they have set for increased non-oil energy use appear "very far out of reach."

These are the main conclusions of a study by Chase Econometrics, a subsidiary of the Chase Manhattan Bank, of the energy goals set by Western leaders at their seven-nation summit in Venice last June.

It argues that sharply reduced oil imports can be reconciled with slower than planned non-oil energy expansion because of the world economic climate. International growth in the coming decade will be slower than widely forecast, cutting the increase in energy demand.

The Venice meeting pledged support for the International Energy Agency's plan to cut members' oil imports to about 22.5m barrels a day by 1985, compared to 24m b/d target for this year. Chase estimates that imports could be cut to as little as 19.2m b/d.

It adds that the seven nations can achieve a second Venice goal—to reduce oil's share in their total energy consumption from more than 50 per cent now to 40 per cent by 1990.

But the seven will fail in their attempts to double coal use during the coming decade. Coal consumption by even the 11 major Western economies will only rise 32 per cent by 1990, the report says. Total non-oil energy use by the 11 will rise by the equivalent of 11m to 13m b/d of oil, compared to the 15-20m b/d target set by the seven alone.

Chase queries the wisdom of trying to double coal use "at great cost in terms of investment and environmental damage" if oil targets can be achieved with a lesser expansion

The report is based on the assumption that the economies of the 11 will grow by only 2.7 per cent a year during the coming decade, with energy requirements rising 1.5 per cent annually.

Chase argues that supply/demand tightness in the oil market around the middle of the decade will force real crude prices up and induce a slump in the industrialised world. By 1990 oil prices will have reached $91 a barrel in current terms.

SAAB sells its first commuter aircraft

By Westerley Christner in Stockholm

THE AEROSPACE division of SAAB-Scania, the Swedish automotive group, has received its first order for the SAAB-Fairchild 340 commuter aircraft, being jointly developed with American Fairchild Industries, the Swedish company announced yesterday.

The contract was won from Crossair, the Zurich-based Swiss airline company, and is valued at SKr 85m (£8.5m). The Swiss company took out an option for an additional five aircraft. Delivery for the first five is set for 1984, according to SAAB.

The Swedish company has a 75 per cent development stake in the joint venture and Fairchild the remaining share. SAAB has received a SKr 350m Government loan to help finance its investment in the twin turboprop 34-seat aircraft. Production costs for the venture has been split 50-50 by the two companies.

General Electric is to supply the CT-7 engines. The fuselage will be built at Linkoping, Sweden, the wings and tail unit in Texas. Assembly and testing will take place in Sweden. The companies have opened a joint marketing unit for the venture, SAAB-Fairchild HB, based in Paris.

W. GERMAN-COMECON TRADE

Ways to help the Czechs help themselves

BY LESLIE COLITT IN BERLIN

WESTERN exporters who are not prepared to demonstrate in detail how their products can help Czechoslovakia to earn hard currency might as well forget the Czechoslovak market.

This is the experience of West German exporters, who are presenting detailed analyses to Czechoslovak foreign trade organisations showing that their items of equipment can lead to the production of new or improved products, which if exported to the West would help pay off the machinery in a few years.

This is the other side of the coin in Czechoslovakia's current export drive, which by mid-year led to the first surplus in trade with West Germany. Czechoslovakia's leading Western trade partner. West German exporters are being told by their local chambers of industry and trade (IHK), that the growth areas in exports to Czechoslovakia are energy-saving devices, coal mining equipment, nuclear industry peripherals, electronics and process control and automation equipment, all of which are given priority in the new five-year plan that begins in January.

Unlike the situation in East Germany, foreign trade organisations in Czechoslovakia do not attempt to obtain 100 per cent compensation deals with Western companies. In purchases of plant and equipment, typical demands for compensation range from 15 per cent to 25 per cent of the purchase price, which the Czechoslovaks wish to pay for with goods.

The West German IHK notes that "mutual trust means everything" in succeeding on the Czechoslovak market. Only the Western exporter who understands how to build up a personal relationship with his Czechoslovak partner and cultivates it can count on long-term profitable sales in the country.

West German exporters note that the new package of Czechoslovak economic measures to go into effect in January, provides for a degree of economic decentralisation and includes the creation of smaller profit centres.

The measures, however, sound more sweeping in the Czechoslovak Press than they are in reality. The important thing, they say, is that the foreign trade enterprises will continue to have all their previous powers but will have to justify nearly every purchase from the West by the short term benefits it will provide to the country in hard currency.

Czechoslovakia continues to have the lowest level of indebtedness of the West of any Comecon country which is a result of the selective nature of its imports.

Large amounts of Western technology are not imported in order to achieve a broad modernisation, for example, of the mechanical engineering industry. Instead new technology and equipment is only bought from the West for specific sectors of the industry which are to increase their exports to the West. The bulk of Czechoslovak manufacturing turns out enormous runs of products over a long time span for export to the Soviet Union and other Comecon countries.

The Czechoslovaks buy West German numerical control units which are then coupled with Czechoslovak machinery of good mechanical quality and which is then exported to the West.

The West Germans note that the Czechoslovak consumer is better off now than earlier this year as supplies to shops have improved. This is believed to be in reaction to the labour upheavals in Poland. Queues are shorter in meat shops than six months ago, and pork, beef and poultry are widely available compared with their non-existence in neighbouring Poland. The Czechoslovak harvest this year was good, compared with a poor harvest in Poland, and Czechoslovakia is expected to need less grain this year from the U.S.

India may boost Bombay High oil output

BY R. C. MURTHY IN BOMBAY

THE INDIAN Government would consider proposals from foreign oil companies for raising petroleum crude production in offshore Bombay High fields, which are at present reserved for the Government-owned Oil and Natural Gas Commission.

According to plans drawn up by the commission, Mr. Prakash Chandra Sethi, Minister for Petroleum and Chemicals, said, Bombay High is to yield 12m tonnes a year by 1982. If foreign oil companies have schemes to raise the output beyond the 12m tonne level by that date, the Government would look at their proposals favourably.

This is a new dimension to foreign participation in oil exploration in India. The policy so far has been to invite bids for unexplored but potential areas. The Government has received 65 bids and they have been short-listed to 33, Mr. Sethi said.

He would soon announce the guidelines which will form the basis for the committee, headed by Mr. B. B. Vora, secretary to the Petroleum Ministry, to screen the proposals, he added.

By the end of December, Bombay High North and South will produce at the rate of 140,000 barrels a day (7m tonnes a year). The commission plans to increase production from this offshore field to 12m tonnes a year by the end of 1982.

India has tied up new sources of crude to replace partially the disruption in supplies from the Middle East following the Iran-Iraq war.

The two countries together were supplying 11m tonnes of oil a year. An Indian delegation led by Mr. Vora is leaving for Mexico at the end of this week to sign an agreement for the supply of Mexican oil to India.

EEC chemical 'dumping' probe

BRUSSELS — The EEC is to investigate alleged dumping of U.S. orthoxylene and paraxylene which are raw materials for the textile and plastics industries.

The Council of European Chemical Manufacturers' Confederations has alleged the chemicals are sold below their U.S. market price, with U.S. orthoxylene 18 per cent underpriced and paraxylene 13 per cent underpriced.

Reuter

French in £75m deal for Nigeria

By Terry Dodsworth in Paris

A CONSORTIUM of three French construction and engineering companies is to take a leading role in the creation of a new town at Wari, to the south of Lagos, in Nigeria.

The town is being built around the new steel-making plant at d'Aladja, due to begin production at the end of this year.

In total, the consortium's contract amounts to FFr 785m (£75.2m) for a two-stage development.

Under the first part of this agreement, 2,000 dwellings are to be built for employees at the plants.

These buildings will be designed by Sefri International and built by Sainrapt et Brice, one of France's large construction companies

Under the second part of the contract, Dumez, a large civil engineering group, is to put in the infrastructure of the town at a cost of FFr 450m.

● Societe Francaise de Realisations Immobilieres (SEFRI) has been awarded two new contracts by Nigeria totalling FFr 280m, AP-DJ reports from Paris. One involves the construction of a 340-room luxury hotel at Lagos to be managed by the Sheraton chain, for completion by the end of 1982. The second contract is for the addition of office space for the headquarters of Elf-Nigeria, a unit of the French Elf-Aquitaine oil group.

UK seeks action on Brazil

By Hugh O'Shaughnessy

BRITAIN is pressing for action within the EEC against what is seen as increasing trade protectionism by the Brazilian Government.

Britain's move, foreshadowed by Mr. John Nott, the Secretary of State for Trade, when he returned from a visit to Brazil in May, comes in the context of the re-examination by the Community of the trade privileges granted to the Newly Industrialised Countries (NICs).

Britain and some of its EEC partners have been concerned that Brazil is making the task of some Brazilian importers all but impossible by erecting all sorts of financial and non-tariff barriers to the inward flow of goods.

Following his visit to Brazil, Mr. Nott commented in London: "We are not satisfied with our inability to surmount high tariffs." His remarks stirred some controversy and officials in the Department of Trade and the Foreign and Commonwealth Office categorically contradicted reports of his remarks carried in British newspapers.

In Brussels officials point to a growing number of what are interpreted as unfair trade practices by the Brazilian Government.

Britain's exports to Brazil in the first eight months of this year totalled £147.2m against British imports of £212.9m.

Costain wins £6.7m order for Sri Lanka dam work

BY OUR WORLD TRADE STAFF

COSTAIN International has won a £6.7m construction contract for work on the Victoria Dam power station, part of the Mahaweli irrigation scheme in Sri Lanka.

This is the group's first contract in Sri Lanka. Work starts early next year and involves the drilling and blasting of 250,000 cubic metres of rock and the placing of 40,000 cubic metres of reinforced concrete.

The consulting engineer is Sir Alexander Gibb and Partners.

● Hydraulic Engineering Equipment of Horley is selling the Indonesian Government 17 drilling rigs worth £2.5m. The rigs are being gathered at Southampton for shipment.

The company is a member of the Humphreys and Glasgow group, whose Bombay consulting arm is to help Balfours Consulting Engineers of Croydon in a contract awarded by the Indian Government.

Balfours is to design, supervise and commission water and air pollution controls for a new fertiliser complex in Bombay.

● Dowty Rotol will provide from its Gloucestershire factory gearboxes worth £1.5m for Aeritalia in Italy.

● Thos. W. Ward of Sheffield has been loading 15,000 tonnes of scrap metal at Barry Docks in South Wales to meet an Indian contract worth £1m. This is the biggest single consignment of scrap metal ever to be exported from a UK port.

● Lee Cooper Licensing Services, part of the Lee Cooper Group, has reached agreement with Wellington-Melvin International of Manila to have its jeans manufactured in the Philippines. The licensing agreement provides Lee Cooper with a guaranteed, but unspecified minimum royalty with further payments based on turnover.

Britain and China settle double-tax pact text

BY PAUL CHEESERIGHT

THE UK AND CHINA have settled the text of their first double taxation agreement. It covers air transport revenues and could be the precursor of other agreements for different industrial sectors as commercial links between the two countries become closer.

The tax accord springs out of the UK-China Air Services Agreement signed when Chairman Hua Guofeng was in London earlier this year. Since then detailed talks have taken place between British Airways and the Civil Aviation Administration of China.

Settlement of the tax details has been reached in time for the BA inaugural flight to Peking later this month. The agreement became necessary to accommodate the presence of British citizens in China on a long-term basis.

When British companies sign joint venture agreements with Chinese enterprises, this will establish the need for further double taxation agreements, although the Inland Revenue Department has nothing further in mind at the moment.

Minerals and mining is thought to be the sector most likely to need an agreement in the medium-term, although much will depend on further definition of the intentions embodied in the Chinese law on joint ventures adopted in July, 1979.

But the Chinese authorities have been holding other talks with the Inland Revenue. A delegation was recently in London seeking information on the techniques used to tax oil companies.

Print dispute disrupts New Standard output

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE NEW STANDARD, the London evening paper which supercedes the Evening News and Evening Standard, was launched yesterday with a print run no higher than the old.

Disputes with three print union chapels over extra payment for printing up to 700,000 copies of the revamped paper kept the print run to around 450,000, the Evening Standard's previous limit.

The chapels involved are the inside and outside distribution chapels of the Society of Graphical and Allied Trades and the machine minders chapel of the National Graphical Association.

Mr. Bert Hardy, the Standard's crief executive, said last night that the company believed existing agreements covered the printing of extra copies without extra payment. He said it had not shifted its position in talks over the weekend, but would continue discussions today.

Mr. George Willoughby, secretary of SOGAT's London central branch, said he believed an improved pay scale for distribution workers could be agreed this week.

He was looking for an improvement in rates from the present range of £94-£124 to one of £120-£160 and expected a meeting between the Standard's management and print chapels today.

The first issue of the New Standard followed the format of the old Evening Standard and retained most of its regular features.

The Prime Minister sent her best wishes to the paper, saying that "the challenge for management and employees together is to produce a vigorous newspaper worthy of a great capital city."

In a separate announcement, Mrs. Thatcher ruled out a State takeover of The Times and Sunday Times, which are threatened with closure next March if a buyer is not found.

In a written Commons reply, she said: "I naturally regret the possibility that papers with the reputation of The Times or the Sunday Times may cease publication. Nevertheless, to finance publication of a newspaper from public funds would be unprecedented and the Government has no intention of putting forward proposals to do so."

Low wine sales at Christmas predicted

By Our Common Market Correspondent

A GLOOMY period for wine sales at Christmas was predicted yesterday by the wine trade.

Wine imports this year are already down by about 10 per cent on last year and reduced consumer spending could bring a heavier fall by the end of the year. The Christmas and New Year period usually accounts for about a quarter of the year's wine sales.

The Wine Development Board said yesterday the trade faced a bleak Christmas. "Forecasts for this Christmas are that unless present patterns change, most British families will be cutting back on their purchases of the heavier wines, such as sherry and port, with the consumption of sparkling and table wines about the same as last year."

The Wine and Spirit Association said wine sales were likely to be "subdued" but warned of shortages in the shops nearer Christmas because retailers could not afford to hold high stocks.

The wine trade is not alone in its fears for Christmas. Spirit sales are down by about two-thirds on last year and traditional Christmas spending on whisky, gin and rum is likely to be reduced.

Beer sales also have been lower than expected this year, with annual production likely to be about 3 per cent down.

Local bus freedom at dead end

Lynton McLain finds no council enthusiasm for Transport Act's trial licence waivers

THE Transport Department, after the initial success of those parts of its 1930 Transport Act whic allowed licence-free operation of express coach services, has run into difficulties over other parts of the Act which no one is willing to implement.

The Department says the difficulties are not of its own making. Nevertheless, officials are sufficiently concerned about what is currently only a potential problem that they are considering making money available—on a contingency basis—in case the local transport experiments, allowed for by the Act, fail and leave the councils worse off than before the Act was planned.

The successful part of the Act, as far as it is possible to judge only a month after it came into force, is that whic overturned the regulations of the last 50 years which restricted the number of operators allowed to run coach services.

Mr. Norman Fowler, the Transport Minister, hailed the success of British Coachways, the independent consortium of private coach operators, which now runs £2 single fare coach journeys between London and Birmingham. The Minister was taken slightly by surprise by the speed with which the priavte sector responded to his measures.

British Coachways started its attack on the state-owned National Bus Company on October 6, the day the licensing provisions of the Act came into force. New services by a group of six private coach companies appeared to be a vindication of Mr. Fowler's policies of allowing "Freddie Lakers of the road" to flourish.

Under the Act operators no longer need the permission of the Traffic Commissioners to run express coach services. They have only to meet the Government's safety standards for drivers and vehicles.

British Coachways initially expected to break even by operating single coaches to well-chosen destinations on the most lucrative trunk routes. London to Birmingham and London to Bristol were among the most publicised.

Over 70 per cent of the seats had to be booked if the consortium was to avoid losing money. But in less than a month, British Coachways has carried 10,000 passengers at some of the lowest fares yet seen on Britain's coach routes. This was well ahead of expectations, Mr. Michael Kay, its marketing director, said yesterday.

Load factors have been running at between 70 per cent and 90 per cent. Two, three or four coaches have been operating on routes where only one was thought prudent before services started.

The success caught National Express—the state-owned coach subsidiary of National Bus—off its guard. National Express tried to sell its low stand-by fares direct to would-be passengers at the coach stations, avoiding the traditional travel agent channels. British Coachways kept faith with the 2,000 agents its member companies had used before the Act came into force, leading National Express to change its approach and again make all tickets available through travel offices.

This competitiveness was just was Mr. Fowler was seeking in abolishing the restrictions.

But Ministers have been less than jubilant about the clear failure of other provisions in the Act. In particular, the measures allowing local authorities to set up "trial areas" for experimental bus services have attrated no support.

The local authorities are clearly worried about the implications for their public transport finances if such trials should fail.

The "trial area" provisions allow the authorities to start any number of bus services without licensing restrictions, which would be abolished for the area covered by the trials. Only safety standards would remain.

The Government envisaged the trial areas as zones of initiative in the local authority bus sector, which is traditionally slow to respond. However, no local authority has taken up the call to seek the permission of the Transport Minister to start trial areas.

Fear of the financial consequences has forced the few local authorities which have voiced tentative interest in the trial areas such as Devon and Norfolk, to dictate terms to the Transport Department for starting experimental local bus schemes.

Transport Department officials disavowed any intention of "bribing" local authorities into starting trial areas. Nevertheless, "we would be prepared to consider making a contingency allowance in case a trial area experiment fails and causes a loss to the local authority," officials said yesterday.

However, this would almost certainly not involve extra Government aid. The contingency fund would be incorporated—in a way as yet undecided —in the annual transport supplementary grant. This grant to local authorities amounted to £350m for 1980-81 and included aid to fund road repairs and to subsidise local public transport.

Ironically, the one area where trial areas would be welcomed by local politicians, Greater London, is not permitted to apply for experimental status.

Public transport in Greater London is dominated by London Transport's bus and tube train services. But these have been the subject of vigorous public attacks from County Hall, the home of the Greater London Council.

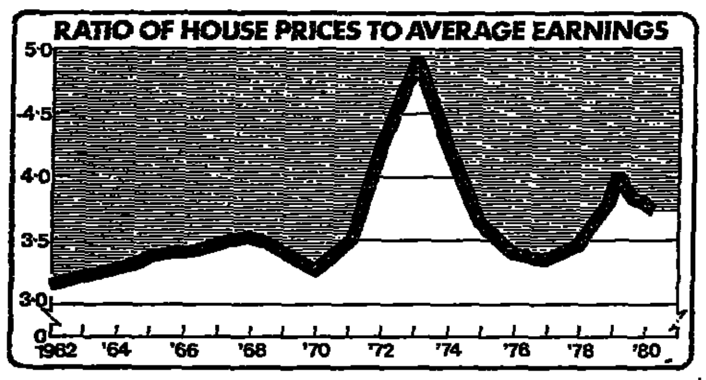
Some GLC councillors, led by Mr. Harold Mote, chairman of the transport committee, want to see London Transport's near-monopoly ended. The 1980 Act gives operators the right to appeal to the Minister if London Transport refuses permission for new, alternative private services.

The Transport Department appears to be doing its utmost to encourage local authorities to take up the offer to experiment with local bus services. This may suggest that Mr. Fowler would also support any future applications from private companies wishing to try their hands at running public transport in the capital.

Mr. Fowler clearly wants his Act to be used, but judging by the lack of interest from local authorities on trial areas, it may turn out to be an Act with too many hidden financial strings attached to be realistic.

House prices expected to show slow increase

BY MICHAEL CASSELL



THERE is little prospect of any rapid rise in house prices until the next general economic upturn, according to the Building Societies Association.

In its latest quarterly bulletin, the association confirms that house prices have remained virtually static since May, when normally they would be expected to rise more rapidly during the summer months.

The association calculates that the year-on-year rate of increase in prices fell to just over 11 per cent by August, the lowest rise recorded since the start of 1978.

According to the association: "There seems no doubt that the economic conditions prevailing during 1980 have exerted a powerful effect on the course of house prices. Real personal disposable income fell during the first half of the year and this fact, combined with the record mortgage rate, has meant that the number of potential first-time buyers willing and able to enter the housing market has declined. Similarly the readiness of owner occupiers to trade up has also fallen."

As a result, the association points out, house prices have fallen sharply in real terms. In particular, the ratio of house prices to average earnings has declined significantly — from 3.99 to 3.73 — since the third quarter of 1979.

MLR cut would not stimulate corporate borrowing—Lloyds

BY DAVID MARSH

THE GOVERNMENT could cut Minimum Lending Rate now without stimulating company borrowing, which is slowing down anyway under the weight of recession, according to Lloyds Bank in its latest economic bulletin.

The bulletin, written by Mr. Christopher Johnson, the bank's economic adviser, casts doubt on some basic features of the Government's monetary policy.

It says that high interest rates tend to increase rather than reduce corporate borrowing for a period of as long as 12 to 18 months. This is because companies need to borrow more to finance higher interest charges.

Interest rates have more effect in reducing personal borrowing, working through to a decline after about nine months rather than the 18 months for the corporate sector.

But the bank concludes that the "double-edged" effect of interest rates on loan demand makes them an unsatisfactory instrument for controlling sterling M3, the main measure of UK money supply.

In fact, the effect of higher interest rates on the exchange rate over the past 12 months or so could have produced an extra increase in company borrowing because of the adverse impact on exporters' profitability, Lloyds says.

Of the other main influences on company borrowing, Lloyds says that inflation and the level of real output tend to increase loan demand after a certain time-lag. Unemployment tends to diminish it with no time-lag, in spite of companies' need to meet redundancy payments.

Company borrowing is now decelerating, because of lower inflation and output, and because of the rise in the unemployment rate. It is likely to rise by only £800m in the final quarter of 1980 after increases of £1.8bn in each of the previous three quarters.

In the first quarter of 1981, when the recession may reach its low point trough, company borrowing could fall by £1.5bn, with more repayments than new advances. This will produce a corresponding drop in sterling M3.

The bulletin says, paradoxically, that company borrowing, and thus the money supply, is being reduced by falls in inflation and output together with a rise in unemployment. According to the Government's policy, the direction of causality should be the other way around, with the money supply coming under control and then working through to a lower inflation rate.

High interest rates 'working against monetary targets'

BY ANTHONY HARRIS

A CUT in interest rates and in corporate taxation is now necessary in order to achieve the Government's monetary targets, according to stockbrokers James Capel.

In a circular published today, the firms suggests that the present regime of high interest rates, which is intended to reduce the rate of monetary growth, is actually driving it up.

This is because firms, especially at a time of acutely depresed profits, are forced to borrow the interest as well as the principal.

A cut in interest rates or in taxes would enable them to repay part of their loans, and reduce the pressure to borrow.

The nalyisis presented, which treats the rate of interest as a cost affecting operating expenses rather than as a price affecting the demand for credit, is novel.

But it has some counterpart in official work on the money supply, which stresses the "perverse" quarterly rise in the money supply when interest on bank deposits is credited to depositors.

Recent high interest rates, coupled with the rapid growth of interest-bearing deposits, has led to what has become known in the City as the "spike"—a sharp rise in the seasonally adjusted figures in every third month.

The interest charges to borrowers are essentially the same figures as it appears on the opposite side of the ledger.

Capels claim their analysis shows that nearly four fifths of all interest charges to borrowers are themselves borrowed, and that interest charges have in the last year accounted for more than 70 per cent of the total growth of corporate borrowing.'

Companies have tried to meet this dilemma bu running down stocks of goods and liquid assets, but the collapse of profits has enabled them to make only a minimal reduction in new borrowings.

Capels concludes that the regimeo f high interest rates is now the "largest impediment" to a major reduction in borrowing and in monetary growth.

British atlas of 1776 brings £7,500

SALEROOM

BY ANTONY THORNCROFT

A 1778 edition of one of the most famous British atlases, John Speed's The Theatre of the Empire of Great Britaine . . . together with a Prospect of the most famous parts of the world," sold for £7,500, plus the 11.5 per cent buyer's premium and VAT, at a Sotheby's atlases and maps sale yesterday which brought £103,348. The buyer was a Pennsylvania dealer.

An Oxford dealer paid £6,000 for a first edition of the same work without the Prospect maps, and a Milanese dealer acquired the "Atlas nouveau" by 1698 by Jaillot and Nanson for the same sum. In a sale of icons, a Zurich dealer bought a brass-bound portable inconastasis, a Greek group of the 18th century, for £2,800.

Of more interest was the weekend poster sale at Sotheby's in New York which set an auction record for a poster of $70,000 (£28,571). It was paid for "Le sillon" by Fernand Toussaint, the estimate had been just over $20,000. There was also a record for a Toulouse-Lautrec poster of £23,469, for his famous Moulin Rouge poster "La Goulue."

A print by Rembrandt, perhaps modelled on his father, sold for £1,900 at Phillips yesterday. Top price in the sale was the £3,200 for a complete set of Thomas Shotter Boys' "London as it is," of 1842. At Phillips and Jollys in Bath, a George III Chippendale-style secretaire bookcase sold for £5,700, while at Christie's South Kensington the highest prices were £750 for a George III silver oblong entree dish by Digby Scott and Benjamin Smith and £580 for a paid of large Chinese Imari plates.

MPs debate product liability proposals

By David Churchill, Consumer Affairs Correspondent

DRAFT EEC proposals to make manufacturers more liable for defective products which injure consumers are due to be debated in the Commons today. The proposals were criticised yesterday by the UK business equipment industry but welcomed by the National Consumer Council in its briefing for MPs.

The Business Equipment Trade Association, which has total annual sales of more than £2.2bn, said the proposed EEC directive on product liability could lead to "substantial increases in some insurance premiums."

The association is particularly concerned that the proposed directive does not take into account that some products may be radically altered by rapid scientific and technological developments.

Mr. Richard Harington, the association's director general, said the British insurance industry had "pointed out that the cost of insurance in respect of those categories of product which present a heavy development risk potential, may increase considerably."

A final EEC directive on product liability is unlikely to be adopted before 1983 and will not become effective in member-countries until 1985.

The NCC told MPs that "making manufacturers strictly liable for injury or damage caused by defects in products would simply mean a modest extension of existing principles of liability laid down in Scottish and English law."

It said: "We find it hard to understand why some manufacturers are so opposed to a liability which retailers have borne without any obvious major problems."

The extra insurance costs as a result of product liability, it said, were only likely to be a fraction of 1 per cent of turnover.

Shell Chemicals fears losses

BY SUE CAMERON, CHEMICALS CORRESPONDENT

SHELL Chemicals UK is likely to suffer losses of around £30m this year—double the estimated £15m loss of 1979. Now the group has launched a study designed to find out how it can streamline its business.

The study has just been set up and is not expected to be completed until the start of next year. But it seems certain that its recommendations will include a call for job cuts and plant closures.

Over 500 jobs are likely to go but the company appears confident that the majority can be lost through natural wastage, retirement and voluntary severance. Shell yesterday dismissed reports that up to 1,000 jobs would be cut.

Shell Chemicals UK employs 4,200 people—some 2,800 at Carrington in Greater Manchester, around 1,000 at Stanlow in Cheshire and the rest in London and the South East. The Carrington complex is the most likely to be hit by any cuts.

The company produces basic chemicals and plastics at Carrington and it has two plants making each of its major products in most cases—two ethylene plants (ethylene is the so-called building block of the petrochemicals industry) two polyethylene plastics plants and two polystyrene plants.

It is therefore thought possible that the group may decide to shut one of each. This would still enable Shell to stay in all its present production areas. The group stressed yesterday that it had no intention of pulling out of any of its present production areas altogether.

Shell Chemicals, like Imperial Chemical Industries, BP Chemicals and the rest of the European petrochemical industry, has been hit by over-capacity and the world recession.

The strong pound has also had an adverse effect on its business although the company buys naphtha — its most important raw material—in dollars so it has suffered less from the strength of sterling than some other producers.

Last year Shell Chemicals had total sales of £430m and over £100m-worth of exports from the UK. The group was set up in its present form after the Second World War and enjoyed a long period of substantial growth in demand for its products.

Growth rates for its overall business averaged about 15 per cent during the 1960s for example. Now the petrochemical industry is having to adjust to much lower growth rates.

The Shell group of international chemical companies estimates that growth rates will be rather less than 4 per cent a year during the 1980s.

Shell Chemicals UK believes that during the good years it may have become too top heavy to be really efficient during the comparatively lean period that is forecast for the next decade. This is the main reason why it has launched the study into ways of rationalising its operations.

Civil servants 'frustrate cost cuts'

FINANCIAL TIMES REPORTER

THE Civil Service could save between £30m and £80m a year in one Government division alone—the Property Services Agency of the Environment Department, Mr. Leslie Chapman, the former civil servant, said yesterday.

Mr. Chapman, who has also been a leading critic of London Transport's management policies, based his estimate on what he says is a confidential document revealing that senior civil servants have purposely avoided cost-cutting exercises.

He told a Press conference in London that the document—a "powerful, scathing indictment" which he will send to a House of Commons select committee—criticises staff working for the Property Development Group of the Property Services Agency.

Mr. Chapman claimed that the document backed up an investigation carried out for Sir Derek Rayner—the Prime Minister's adviser on waste in Whitehall, which revealed that there was room for savings of £500,000 a year in the PSA's operations in Bath.

"This is one small part of one region. I estimate that between £30m and £80m could be saved a year in this one department."

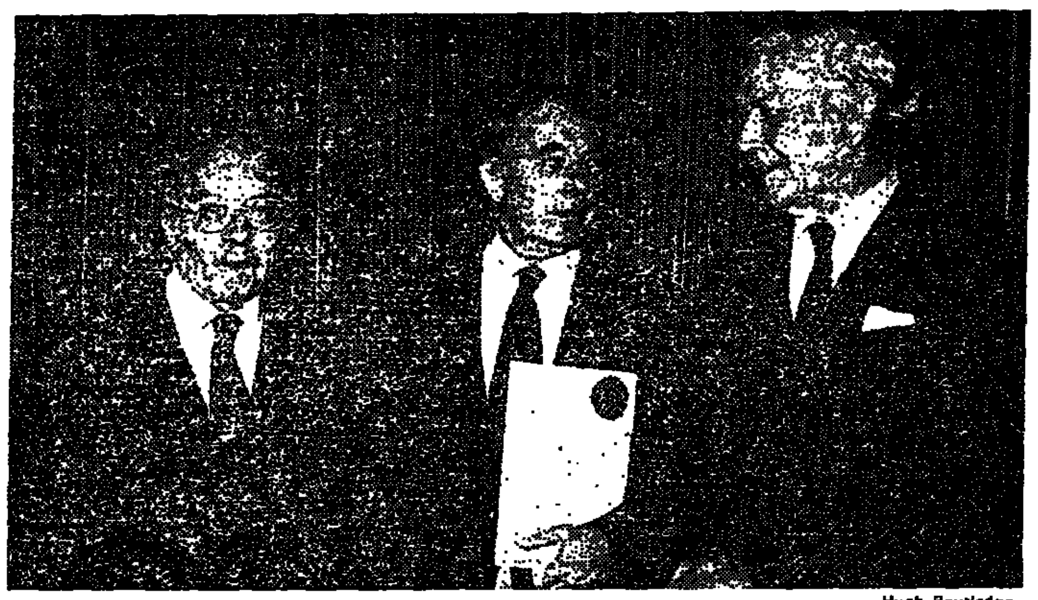
He called for an independent investigation into the "tricks" used by civil servants to avoid cost-cutting.

Mr. Chapman alleged that some civil servants:

- Carried out the work but filed reports away and disbanded the teams involved:
- Acted on Ministers' requests without any urgency;
- Left important information out of the reports; and
- Gave the work to civil servants in charge of the department which was to be investigated, with the likelihood of them finding nothing wrong with their own domain.

Mr. Chapman made his claims at a Press conference held by the Operation Expansion Britain committee, which has been set up by Aims.

It has published a booklet, Getting Britain Moving, which puts forward a plan for economic revival.



Hugh Routledge

At the launch: Prof. Harry Ferns of Birmingham University; Mr. Michael Ivens, AIMS director; and Mr. Leslie Chapman.

Sterling rise hits Short Brothers

BY OUR BELFAST CORRESPONDENT

THE STRENGTH of sterling was a big factor in the £8.3m net loss incurred by Short Brothers, the Belfast aircraft company, in the year to August 31, 1979, according to Sir George Leitch, the chairman.

The U.S. is the company's largest market for both aircraft and components, but its success there is threatened by the strength of sterling against the dollar, Sir George said in the annual report.

The adverse movement of the exchange rate made the 1979 loss £3m worse than expected. Most of the company's contracts are long-term and priced in dollars.

Sir George said the company had been working on contracts placed years ago and assumptions about the exchange rate were incorrect.

"Over the next year or two, each 10 per cent movement in the rate is estimated to affect our profitability by some £1.5m."

Turnover and loss figures for Short Brothers, which is Government-owned, were given in the Commons in July but the report has only now become available.

The loss of £8.3m, on turnover up from £44.4m to £67m, compares with the 1978 loss of £9.75m. The chairman said the financial performance was less than satisfactory and had also been affected by national industrial relations problems.

The operating loss was £5.5m, added to which were design and development costs of £2.3m and interest payments of £0.5m.

All three main product lines—missiles, aircraft and engine parts and components—increased sales. Sir George said the level of sales and future prospects augured well for the 1980s.

'Girls must get better grounding in science'

By Michael Dixon, Education Correspondent

A MAJOR effort to prevent girls from shying away from scientific studies on the grounds that they are "boys' subjects" is called for today in a report by the State's educational inspectorate.

Girls should be given more teaching in physical sciences during primary schooling and be helped with the practical aspects of these subjects in their early years at secondary school, the report says.

The inspectors, who visited 21 schools, including 15 comprehensives, add that for many years girls, especially those in co-educational schools, have shown a marked tendency to avoid physical sciences when given a choice of subjects.

Masculine

Some girls entering secondary schools have been found to lack experience in handling the materials commonly used in physics and chemistry lessons and so lack the confidence shown by boys, who are more used to such practical work.

The masculine image of the physical sciences, the report asy, is also sometimes reinforced by parents who question their daughters' inclinations to pursue scientific studies at school.

But in towns where there was a heavy emphasis on manufacturing and engineering activity, girls were found to be more likely to consider science subjects.

Reluctance

In general, however, the inspectors concluded that schools need to take positive action so that chemistry, physics and the like are no longer viewed by pupils as being suitable mainly for boys.

Observation of science lessons in schools visited showed that girls tended to avoid involvement in class discussions, possibly because they did not want to risk giving wrong answers in front of boys.

Teachers needed to act positively to overcome this reluctance.

There was also a crucial need to provide pupils with careful guidance at the time—usually in the third year of secondary school—when they were choosing which subjects to continue studying.

Pressure

At this stage, girls and boys both frequently had no particular career plans and so needed to be informed of the importance of taking a balanced curriculum of science and arts subjects.

However, in schools where science was a fairly popular choice among girls, the inspectors noted heavy pressure on laboratories, equipment and science teachers.

A large-scale increase in the number of girls studying physics and chemistry would therefore require extra resources, the report says.

Girls and Science, HMSO: £3.30.

Port of London to attack losses

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE PORT of London Authority, in an effort to stem its large losses, has announced a number of senior management changes, ambitious traffic targets for next year, and has repeated its plea for a major capital reconstruction.

A new marketing chief has been appointed and the responsibilities of the current finance director, who is retiring next March, are being divided between a financial controller and treasurer. None of the appointments will be to the main board but all three men will sit on the board of management.

The authority has given a warning that its losses on continuing operations are likely to jump by two thirds in 1980 to £12.5m. General cargo traffic is forecast to drop 40 per cent this year and container traffic is expected to be 30 per cent down.

The port authority has already announced cuts of almost 30 per cent in its workforce this year. Under present plans some 2,500 jobs should be shed by the year end bringing the total workforce down to about 6,000. The port has been reducing its staff steadily over the last few years but by far the biggest reduction has been made this year.

Mr. Peter Chambers has been promoted to become head of marketing at the authority after the surprise departure of Mr. Peter Bennett earlier this year. He left to become managing director of the new Walton Container Terminal at Felixstowe, the PLA's main competitor.

Mr. Chamber's job will be to ensure that the authority meets its ambitious trade targets for 1981. The target for conventional cargo is 683,000 tonnes and for containers it is 120,000 20 ft equivalent units (teus).

Details of the changes are published in the latest edition of The Port, the local dock newspaper. Mr. John Presland, the PLA's chief executive, said recently that if the measures are successful the authority may return to viability next year.

He also said that the authority is continuing to press its case for a capital reconstruction with the Government. After the departure of Mr. David Baden, the finance director's job will be split in two with Mr. George Brocklehurst becoming treasurer and Mr. Mike Godfrey becoming financial controller.

Bristol aid plea rejected

BY ROBIN REEVES

MR. MICHAEL HESELTINE, Environment Secretary, has rejected a plea from Bristol City Council for special aid to help carry the Port of Bristol's mounting losses.

The council had asked for special treatment under the new rates support grant formula to ensure that it did not suffer financial penalties because of its need to fund the increasing losses of the municipally-owned port.

It also sought creation of a Severn Estuary ports development area, grouping Avonmouth docks with South Wales ports, to give Bristol access to EEC capital funding.

Bristol Port Authority's losses in 1979-80 totalled £7.7m and are reported to be running substantially higher in the current financial year.

One estimate suggested Bristol ratepayers face a bill of 15p in the pound this year, compared with 10p in the pound in 1979-80. This is largely because of the recession and the steep rise in costs of the £40m Royal Portbury Dock, opened three years' ago.

The council is holding discussions with financial institutions. It hopes to involve private capital in development of the port and its hinterland, to reduce fixed costs. But time, including an Act of Parliament, will be required

Wimbledon offer refused

BY MICHAEL THOMPSON-NOEL

A SCOTCH whisky manufacturer says it made a £1m offer to sponsor the Wimbledon tennis championships, but was told that direct sponsorship of the event "cannot be considered" at present.

The offer was made by the Glenfyne Distillery Company on behalf of its Langs Supreme Scotch Whisky brand. Glenfyne is a small independent distiller.

It says it approached the Lawn Tennis Association with a £1m offer for the Wimbledon sponsorship rights. Strictly, the offer should have been made to the joint LTA-All England Club committee which manages the championships.

But a spokesman for the LTA said last night that even if properly directed, the offer would not have been pursued at present.

Glenfyne said it did not wish to dissipate its money and effort on lesser tennis events, so would restrict itself to the home-based West of Scotland Championship "until such time that commercial backing of the world's major tennis event is available to a single sponsor."

'State must help the coal industry'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE GOVERNMENT *must help* sustain the coal industry's investment programme and output *during the next two to three* years of recession, Dr. David Owen, Opposition energy *spokesman, said yesterday.*

There was a danger of the investment programme being *damaged for the most* short-sighted objectives, he told a meeting in London of the Coal Industry Society. Yet everyone knew in the longer term the UK needed a powerful coal industry.

Under the Government's new coal industry bill the National Coal Board has been set the tough target of breaking even without production grants by 1983/84. Those grants were worth nearly £200m last year.

Dr. Owen said cuts in investment would hit not only the NCB but "engineering companies up and down the country which are at this moment on the margin of viability."

Coal output must be sustained, even if this meant exporting surplus production at no profit.

Britain had to face up to the message that its industry needed a stable political framework for 10 to 15 years, if it was to be revived.

Airline lands fine

TWO DEAD and disintegrating birds were found in the cracked ceiling above the food preparation hall of Pan American World Airlines' catering establishment near Heathrow.

At Uxbridge Magistrates' Court yesterday, Pan American was fined a total of £1,450 for this and 18 other offences against the Food Hygiene Act.

The offences related to dirty worktop tables, failure to ensure against contamination, dirty walls and ceilings in the staff canteen, dirty sinks and handbasins, a defective dishwasher and refrigerator

A health inspector from Hillingdon Council, asked the company in October last year to undertake certain improvements. In January, Pan Am submitted plans for the work but, when a further visit was made last April, no work had been done.

Bunker Hunt challenges order to pay BP £17m

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR. NELSON Bunker Hunt is to challenge an Appeal Court ruling that he must pay BP Exploration (Libya) £17m.

On Thursday Mr. Hunt will *petition the Law Lords* for leave to appeal against the ruling, in which the Appeal *Court upheld an award made* in the Commercial Court last year.

The case concerns a highly-profitable joint venture by Mr. Hunt and BP to exploit a Libyan oil concession in the 1960s. The oilfield was later nationalised and BP claimed its contract with Mr. Hunt had been frustrated.

The company claimed a "just sum" under the 1943 Law Reform (Frustrated Contracts) Act to take account of the benefit Mr. Hunt received from BP's efforts before nationalisation.

Mr. Hunt contended that a clause in the contract absolved him from all liability.

But Lord Justice Lawton said in the Appeal Court that the clause, like the remainder of *the contract, had ceased* to have any effect because of nationalisation.

The court rejected Mr. Hunt's contention that in the Commercial Court Mr. Justice Robert Goff *had assessed Mr. Hunt's* liability under the 1943 Act on the wrong basis.

The judge had worked on the basis that BP should get back what it had paid out on Mr. Hunt's *behalf* before nationalisation and could not be said to have gone wrong in making his assessment in that way, said Lord Justice Lawton.

Slight upturn for textile traders

By Rhys David

TRADING in the severely *depressed textile and clothing* industry is no longer deteriorating as fast as it was earlier *this year. Some encouraging* signs, such as reductions in manufacturers' stocks, are start*ing to appear. These few crumbs* of comfort emerge in the latest CBI/NEDO joint survey of *trends in the sector published* today.

The quarterly survey is designed to give a picture of activity from the shop counter to the spinning mill. The latest report has assumed extra significance because of the steep reduction in retail sales *of clothing this summer and the* effect of this on their textile suppliers.

Evidence from shops included in the survey suggests that sales have continued to fall but not at the rate recorded in July. That survey was the gloomiest ever of the sector.

But because of continuing poor general sales retailers have been unable to achieve the reduction in stock they were hoping for although stockbuilding has been slowing.

High stocks are preventing retailers from re-ordering and according to the report a majority is again going to reduce orders over the next four months as part of a determined effort to prevent stocks from climbing back to their previous high levels.

In manufacturing most com*panies in the survey continued* to be pessimistic although the feeling is less widespread than *in July. For the first time in* more than a year firms are more pessimistic about exports than *about general business.*

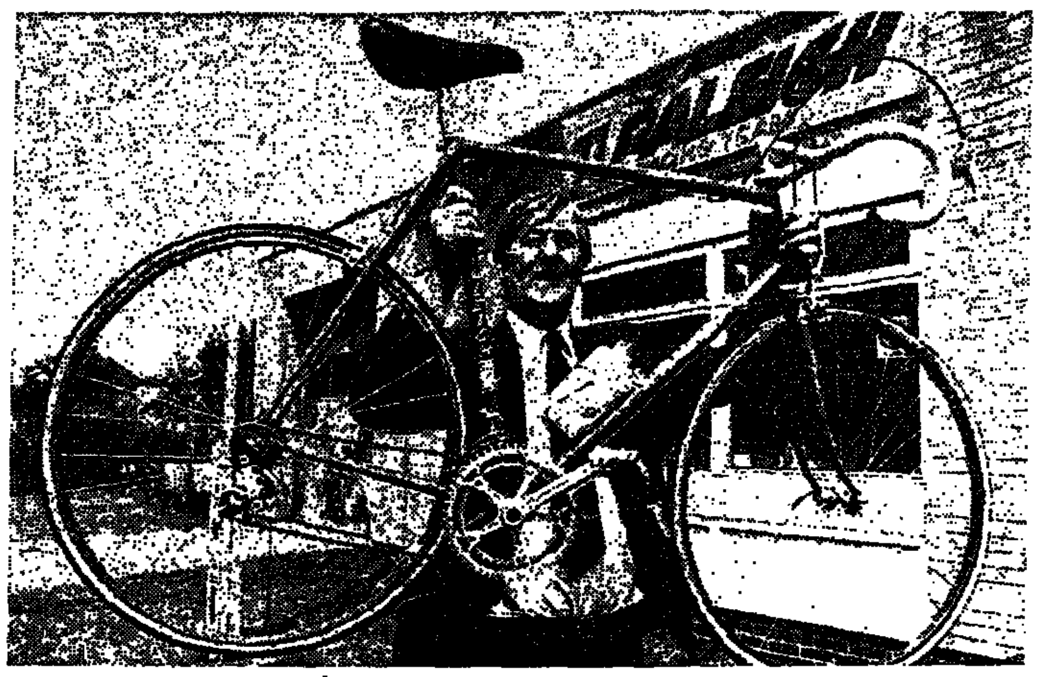
Order books are described as serious with 80 per cent of companies reporting orders below normal. The volume of deliveries is also still falling although the decline, as in orders, is said to be no longer accelerating.

Under the pressure of high interest rates manufacturing companies are managing to reduce stocks with some 17 of the 23 different textile and clothing manufacturing sectors in the survey reporting a decline. Raw materials and work in progress have also been cut back.

Trends in Textiles and Clothing, NEDO, Millbank Tower, London, SW1P 4QX. £12 (CBI members) £27 (non-members).

Lorne Barling on the uphill battle for cycle business at home and abroad

Raleigh pins hopes on sales boom in Europe



Alan Oakley, Raleigh design director, holds the winning Tour de France cycle.

TI RALEIGH executives who banqueted in Paris last week as the guests of its sponsored Dutch team which won the Tour de France cycle race, are hoping for a substantial rise in Continental demand to boost flagging sales in the UK, which have led to short time working at the company's Nottingham plant.

The normal pre-Christmas rush for bicycles has not materialised so far this year, and the company has applied for short-time working compensation for half its workforce of around 6,000 people.

After record sales in 1979 and steady demand in the earlier part of this year, demand slumped heavily in August, mainly as a result of destocking by retailers who have been squeezed by high interest rates.

The company has experienced wildly fluctuating demand in home and overseas markets over the past two years, but on balance it believes it has not been hit as badly as most manufacturing industries, since output this year has been high on average.

But *the boom period for* Raleigh seems to be over. Between June and August last *year sales increased by 100 per* cent over the same months of 1978, but mainly to petrol shortages and price increases, and an impending increase in VAT.

Partly as a result, Raleigh sales in the UK last year reached a record 1m bicycles, and the figure for 1980 may not be far off that mark, despite the present problems and increased competition from cheap imports.

These imports have gained in volume over the past 12 to 18 months, mainly from West Germany and Italy in the form of "basic specification" models often sold through non-traditional outlets such as *filling stations.*

According to Mr. Dennis Hensby, TI Raleigh's director of UK sales, these imports have created two distinct market sectors in terms of price and quality, since spares for many imported models are difficult to find and there is little service back up.

In a growing market over the past 18 months, Raleigh has not been seriously affected by these imports, but is nevertheless concerned at the price differentials, particularly on imports from West Germany, at a *time* when consumer resistance is appearing.

Perhaps *optimistically*, the company believes the present downturn will be shortlived, and *higher motoring costs will continue to encourage steady sales* in the UK next year.

Severe fluctuations in demand have also been experienced abroad, with sales in the U.S. falling back severely in the past two years due to the high value of sterling.

The U.S. used to be by far the largest export market for Raleigh, with sales running at around 350,000 units a year, but this has now fallen to less than 100,000 and there is little hope of improvement, in the short term at least.

Nigeria is another problem market, where Raleigh was until recently exporting around *5,000 bicycles a week from* Britain and producing another 3,000 a week at its factory in Kano. *Restraints on imports of retail goods have cut direct* exports to around 2,000, although the company is confident this market will improve before too long.

Similarly, sales of around 1,000 bicycles a week to Iran have recently been disrupted by shipping problems, but should return to normal before too long, and even increase, since there is a high demand for bicycles in petrol starved Tehran.

The outcome of all these difficulties has been a fall in the proportion of Raleigh total production which is exported from around 65 per cent to *50 per cent, and many of its* hopes now rest on the European market, where the Tour de *France win is expected to have* considerable impact in the long term.

In 1980-81 sales in continental Europe are expected to account for *18 per cent of total output* and increase to 20 per cent the following year, as the network of dealerships is broadened in response to greater recognition of the Raleigh name.

Mr. Ken Collins, the company's sales and marketing director, said: "We have always been known in Europe as a manufacturer of heavy, solid bicycles, but I think that will change after the Tour de France win."

Raleigh is now in the process of buying the cycle division of Polymark, its French distributor, to increase its outlets, and for the first time is being approached by major dealers who had previously been unwilling to stock its products.

The major impact of the Tour de France success has been in France, Belgium and *Holland*, with considerable spin off in Germany and Italy, both particu*larly attractive markets.*

The company already has around 17 per cent of the *Belgian market and 10 per cent* of the Dutch market, where it has Raleigh Nederland and another subsidiary, Gazelle, which produces a different range of cycles, which are marketed under that name.

The company stresses that its present difficulties relate directly to the downturn in the British market, and that there may still be a late Christmas buying surge as retailers increase stocks, but there *may* also be problems early next year.

In the past Raleigh has relied on increased demand in the U.S. during the spring to boost pro*duction in the early part of* the year, but that is no longer strong enough to lift output *significantly.*

Unions fight mill closures

A *CO-ORDINATED* campaign of action aimed at halting mill closures has been framed by *80 senior officers of 13 unions*, representing more than 600,000 textile and clothing *workers.*

It has been given new urgency by the accelerated rate *of* redundancies which by the end of this year alone would reach 100,000.

The proposals mark a new stage in the common front being promoted by unions in the product-linked industries *exposed to large-scale imports* and they are intended to complement the TUC's campaign *for Government action.*

The union programme, drawn up at a special conference in Manchester at the weekend, puts a special emphasis on greater support from the EEC. It includes a lobby of the European Parliament in Strasbourg, a demonstration at the EEC headquarters in Brussels and pressure on Euro-MPs as well as members at Westminster where a lobby is also planned.

Roadside check on car tax

By Elaine Williams

THE Government has stepped up its efforts to reduce car tax evasion which is costing an estimated £75m a year in lost revenue.

Yesterday the third and largest campaign to catch car tax dodgers began in Lancashire. Police have set up roadside checkposts for a campaign in the county which will last a month.

Drivers caught without a vehicles excise licence face a £300 fine

BTA in plea to stores

IF LONDON'S shopkeepers wanted to retain their vitally important foreign tourist market they must spend more on overseas promotion, Sir Henry Marking, chairman of the British Tourist Authority, said in London last night.

Foreign tourists would have *spent £600m in London stores* this year but the stronger pound and other factors *meant the city was no longer* the great shopping magnet of recent years.

The BTA was confident that London could retain its position as the world's top international resort and shopping centre but this was dependent on increased overseas promotion and Sir Henry stressed the BTA could not do this job alone.

Sir Henry, who was switching *on* the Harrods Christmas lights in Knightbridge, also repeated his offer that BTA would contribute a £1 for every £2 that London shopkeepers put up for overseas promotion.

UK NEWS — PARLIAMENT and POLITICS

Call to act in ship dispute rejected

BY IVOR OWEN

BRITISH SHIPOWNERS cannot be required to run their ships at a loss, Mr. Norman Tebbit, Under Secretary for Trade, told the Commons yesterday when he condemned the 24-hour strike called by the National Union of Seamen.

He resisted Labour pressure for Government intervention in the dispute, which stems from Cunard's decision to reduce expenditure on crews by operating two passenger ships under the Bahamas flag and employing foreign seamen.

Mr. Tebbit stressed that the decision was a matter for Cunard, but pointed out that British officers would be used on both ships.

He confirmed that in the company's view, it was not possible to operate the ships profitably under the British flag and that the alternative to operating under the Bahamas flag would be to sell the ships.

According to Cunard, he added, the sale of the two ships would threaten to make the future operations of the QE2 uneconomic too.

Regretting the reasons which had led Cunard to resort to flags of convenience, Mr. Tebbit emphasised: "They underline the need for all our industries to have internationall competitive labour costs."

He also regretted that the seamen's action had involved companies with whom the union was not in dispute and who had no influence on its solution.

"This has caused considerable inconvenience to the travelling public and has done little to help those companies to remain competitive and to continue to emoloy British scafarers."

Mr. John Smith, Labour's Shadow Trade Minister, who led the demand for Government intervention, warned that if Cunard were permitted to switch to flags of convenience, many other shipping lines might follow, resulting in "a countless number of jobs" being lost to British seamen.

He urged the Government to support international moves to curtail the growth of flags of convenience which were in essence devices to avoid taxes and lower standards of safety.

Mr. Smith maintained that the Government ought to indicate its deep dislike of British shipowners like Cunard resorting to such disreputable tactics which might lead to continuing trouble in the British shipping industry.

While underlining the Government's concern over what had occurred, Mr. Tebbit declared: "It really is not possible to require British shipowners to run ships at a loss."

He reminded Mr. Smith that many countries regarded the British flag as a flag of convenience because many foreign-owned ships sailed under it.

Questioned by Mr. James Hill (C., Southampton Test) about reports that the Southampton-based crew of the QE2 wanted a secret ballot on the union's call for strike action, the Minister said it was not for him to speak for these seamen.

But he again pointed to the importance of British shipping remaining internationally competitive and complained that last year's large pay rise of 24 per cent did very little to help that objective.

Fully supporting the seamen, Mr. Eric Heffer (Lab., Liverpool Walton) recalled that in the past British seamen had suffered poor wages and bad conditions. This situation had only improved over the past few years and if other British shipping owners followed the example of Cunard, the advances made by the union would be destroyed.

Mr. Tebbit retorted that he had fully expected Mr. Heffer to support efforts which would have the effect of pulling the plug out of British shipping by making it uncompetitive against its rivals.

Asked by Mr. Tony Marlow (C., Northampton North) about the remedies open to those who might have suffered damage by unlawful secondary action, Mr. Tebbit said this was a matter to be pursued by those who believed themselves to have been damaged.

Defence spending ban ends

Mr. Francis Pym, Defence Secretary, said yesterday that although the moratorium on new defence contracts was to be lifted on November 8, close checks on all arms spending would continue.

"Financial pressures will continue during the remainder of this year."

Mr. Pym said the moratorium was imposed because payments by the Ministry of Defence to industry were "running unexpectedly high."

But the three month ban had caused acute problems for arms firms and although it had not affected the armed forces' essential operational activities, a longer term extension of the moratorium was not justified.

Growing Cabinet concern on spending cuts

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MINISTERS WILL today get down to the detailed disussion of next year's spending cuts amid deepening concern among some members of the Cabinet about the way they feel the Treasury has let the situation get out of hand.

Despite the Treasury's acceptance that public sector borrowing next year will be higher than originally intended because of the recession, Ministers now semto accept that both big tax increases and large cuts in public spending are now inevitable. Some even believe the situation is so bad that a rise in income tax cannot be ruled out for next year.

The cuts in public spending could mean cutting back on welfare services and defence spending in ways which until now have been regarded as politically impossible.

But the Chancellor has made it clear to his colleagues that the drains on the Exchequer from the loss-making nationalised trading corporations—look like being so large that next year that big cuts in state spending are inescapable.

According to one estimate circulating among Ministers yesterday, the nationalised industries could cost at least an additional £2.5bn next year to keep going.

Despite obvious worries among Conservative backbenchers that the Government's acceptance of a higher PSBR next year means it has abandoned all pretence of sticking its policies, the official Ministerial line yesterday was that the monetary strategy, as defined in last spring's White Paper, remained intact.

Given the opportunity at Question Time today, the Prime Minister will probably try to reassure her backbenchers that her objectives remain the same in the medium term. She may acknowledge, however, as one of her Treasury Ministers did some weeks ago, that the recession may mean that progress towards these objectives will be more uneven than originally envisaged.

She may also indicate that since the recession will itself lead to reduced borrowing in the private sector next year, the public sector can therefore afford to borrow a little more without upsetting the broad monetary targets.

Significantly, the figure of £8.5bn for public spending this year, included in the Medium Term Financial Strategy published at the time of the March Budget, was being described yesterday in Whitehall as a forecast—albeit a central one—rather than a target.

Nevertheless, it was clear in advance of today's special Cabinet meeting on public expenditure, that the Treasury is not prepared to relax the PSBR for next year by as much as some of the spending Ministers would like.

The Prime Minister still regards getting interest rates down as a priority, and she is not prepared to see this objective jeopardised by relaxing too much on borrowing for next year

Intrusion into parochial affairs of the House

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MPs YESTERDAY had the opportunity to tear their gaze away from the Labour leadership race and examine the rival merits of two oddly contrasting Ministers, the exotic Mr. Norman St. John-Stevas and the taciturn Mr. Angus Maude.

Mr. St. John-Stevas was answering questions in his capacity as Leader of the House while Mr. Maude, Paymaster General, was appearing in his mysterious role as co-ordinator of Government information services.

The Leader of the House was immediately immersed in the parochial affairs of Westminster but even in this micro-economic world the macro-economics of the national situation kept intruding.

Complaints from MPs about the dangerous state of the stonework of the Commons brought an assurance that repair work would go ahead "depending upon the availability of funds." Even this cautious response, however, was too much for the Ayatollah of the monetarists, Mr. Jock Bruce-Gardyne (C., Knutsford), who complained that the taxpayers were being "taken to the cleaners" by the cost of the re-decorating carried out at the Commons.

Labour MPs were having none of this and came up with the familiar moans about Members having to do their clerical work in the public passageways of the building.

Wistfully Mr. St. John-Stevas told them: "For many years I occupied a desk in a passageway and found out that I knew far more about what was going on in this House than I do now."

For the umpteenth time, Mr. Phillip Whitehead (Lab, Derby North) returned to the question of bringing TV cameras into the Chamber and suggested the Government should do something about the matter "now that it is moving into the evening of its days."

The Leader of the House—who seems to pop up on TV every night—was quite prepared to hold a further debate on the subject. But, eager to allay rumours that he is some sort of crypto-wet, he loyally rebuked Mr. Whitehead: "I would have thought this Parliament was in the first flush of dawn rather than the last rays of the setting sun."

After this gorgeous imagery, the House moved on for five minutes with Mr. Maude who gets more and more like the monosyllabic U.S. President, Calvin Coolidge, of whom it was said "on the rare occasions he opened his mouth a moth flies out."

Yes, said Mr. Maude, he was convinced that the Government was getting across its message connecting excessive wage settlements with unemployment. Mischievously Mr. Michael Foot, deputy leader of the Opposition, asked whether this accounted for the unenthusiastic response of the CBI. Was this because of the nature of the Government's policies or the brilliance of Mr. Maude's publicity?

Unperturbed, the Paymaster General replied that the CBI was entitled to its views

An optimistic Mr. Dennis Skinner (Lab, Bolsover) tried to extract information about the identity of the mole who has been leaking Government documents to the Press. Not surprisingly this question was immediately sidestepped by the Minister. MPs will have to contain their curiousity a little longer. The mole remains as shadowy and enigmatic a figure as Mr. Maude himself.

Elinor Goodman on the Labour Party leadership campaign

Subterranean battle in the corridors of power

JUST AFTER six o'clock tonight, the Labour Party leadership campaign will erupt into the full public gaze with the announcement of the results of the first ballot. Unless the campaign managers of the two leading contenders have been even more Machiavellian than they are generally credited with being and have been deliberately understating their vote in an attempt to ensure that none of their supporters is tempted to throw away his vote in the first round by voting for one of the outsiders, tonight's outcome will almost certainly be indecisive.

This means that at least one more ballot will be necessary, and the campaign will return to the subterranean level at which much of it has been conducted for the last eight days.

Underworld

So far, the campaign has been fought on two levels. At one level, the contenders have been publicly arguing it out in the media. But behind this contest has been another campaign, conducted largely in the corridors and tea rooms of the Commons which makes up Westminster's underworld.

Throughout the last week members of the campaign teams have been engaged in what one MP described as "eye to eye" combat. At any one time when the House was sitting, members of the four campaign teams have been making themselves conspicuously available to any MP who might want advice on how to vote.

At this stage of the campaign it has been not so much a question of twisting arms, but rather bending ears and massaging egos.

Because the House was not sitting when the campaign started, the media was particularly important during the first week.

In theory, the candidates have been addressing themselves to the thousands of people who read newspapers and watch TV programmes. But in practice, their message was beamed primarliy at those 269 Labour MPs who would decide the outcome.

Witness Mr. Michael Foot's appearance on London Weekend Television's Weekend World nine days ago. The vast majority of the viewers were probably totally oblivious to Mr. Foot's nice new suit but to MPs, the fact that he had gone out and bought himself a smart blue suit, put on a clean tie and had his hair cut, was a clear sign that he really did want to become the leader and had not just been pushed into it by his wife and those people looking for a Tony Benn substitute.

In the first few days, the media also gave the contenders a platform for spelling out their policies publicly. It had the advantage that it gave the candidates an opportunity to make their views known to local party activists.

And, given last month's party conference votes in favour of the automatic re-selection of MPs and for the setting up of a new system to elect the leader, the views of local parties are particularly important in this election.

But when MPs returned to Westminster after the recess last week, the campaign changed gear. Then personal contact was of the essence.

All four camps had set up campaign teams already which met daily. The precise approach of the four teams was different, with Mr. John Silkin, himself a former whip, and Mr. Denis Healey running rather more systematic operations than the other two.

But essentially all four candidates have been surrounded by perhaps a dozen committed supporters who in turn have taken it upon themselves to try to win their friends over to their side.

Mr. Healey, for example, has Mr. Barry Jones, the MP for Flint East, and his Parliamentary Private Secretary in the last Government, co-ordinating his campaign along with Mr. Eric Varley, the Shadow energy secretary.

Mr. Foot's team includes a number of Tribunites, like Miss Jo Richardson, and the veteran campaigner Mr. Ian Mikardo as well as younger Left-wingers like Mr. Neil Kinnock.

By the time they returned Westminster all four camps claimed to have a pretty good idea of who they could count on for support and who were the potential floaters. The teams then roughly allocated to individual members groups of MPs to work on.

There was nothing particularly scientific about it, but generally those MPs with known doubts found themselves being approached either by a friend from one of the camps or an MP from a neighbouring constituency.

Just how many "floating MPs" there are is a vexed question. The campaign managers for the two leading contenders, Mr. Healey and Mr. Foot, put the figure considerably lower than the teams working for Mr. Silkin and Mr. Shore, who have buoyed themselves up with the thought that there are still many MPs who could just be susceptible to the right approach.

What is certain is that if all the MPs who had promised their vote to individual candidates actually did vote for them, there would be well over 269 votes cast.

The campaign teams had two broad objectives. First, to seduce the uncommitted MPs and second to ensure that all those who had said they would support their candidate actually did so on the day.

The campaign managers have therefore been busily chatting up floating MPs while at the same time looking anxiously over their shoulders to ensure that none of their own supporters was being got at by a rival camp.

Given the relative lack of privacy in the Commons, these conversations were sometimes conducted in full view of the rival team.

MPs pride themselves on being very sophisticated voters in much the same way as all car drivers like to think they are very good drivers. They do not like being obviously got at. Approaches therefore have to be subtle and usually oblique.

In the case of some members, all the teams have taken the view that they are best left well alone, and many MPs claim not to have been chatted up by anybody.

The most common technique has been to ask MPs whether they have any questions which they would like to talk over with the candidates.

In some cases, MPs have been invited to go and discuss their worries with the candidate himself; in others they have been encouraged to talk things over in the tea room with a member of the campaign team.

Electability

At the same time all four camps have been stressing their candidates' strong points at all possible opportunities. Mr. Healey's supporters, for example, keep using the word "electability" in much the same way as advertising men to coin phrases to describe secret new ingredients in their products.

The general view seems to be that the campaign has been a relatively clean one so far and certainly the candidates themselves have done nothing to widen the rifts in the Labour Party by flinging mud at each other.

For the most part the campaign has been a friendly one and fairly low key with the candidates' lieutenants joking amongst themselves and even comparing notes. Even so there has been an element of black propaganda in all the campaigns.

Without actually spelling it out, some members of all the camps opposing Mr. Foot have at some stage been guilty of either suggesting he is too old for such an onerous office or that he is just a stand-in for Mr. Benn.

Equally, they have managed to combine compliments of Mr. Foot's speech in the House last week with remarks about its lack of content. "Souffle" is the word most commonly used to damn what everybody agrees was a remarkable Parliamentary performance which might just have reminded the odd MP that Mr. Foot was a man still prepared to put up a very good fight in Parliament.

In the same way, some of those campaigning for Mr. Healey's opponents have been pointing out what they see as the dangers of having such a bully in control at a time when the party is already in danger of splitting in two.

For their part, some of Mr. Shore's supporters have been going round saying that a respectable vote for their candidate would mean that Mr. Healey would be obliged to make him his Shadow Chancellor rather than Mr. Roy Hattersley who they present as coming out of the same monetary closet as Mr. Healey.

At the end of the day, those MPs who had doubts a week ago will have probably made up their mind largely on the basis of two, quite possibly conflicting, factors.

On the one hand they will want a leader who can win the party the next election. But at the same time, they want to be in a position to fight their own seat at that election. And, some constituencies are putting considerable pressures on their MPs to vote for Mr. Foot. In some cases, the threat to not select them again as their candidate is open. In others, it is more veiled.

On top of these basic considerations, however, are other more idiosyncratic factors like personal loyalties, repaying past favours and—though again it is never spelled out—the possibility that a vote for the man who becomes leader might be helpful in career terms.

Yesterday, the supporters of the two leading candidates were already preparing their tactics for the next ballot. The assumption was that if Mr. Silkin and Mr. Shore are obliged to withdraw tonight from the next ballot Mr. Foot can count on the majority of Mr. Silkin's votes and perhaps around half those of Mr. Shore.

Once the results are out, the campaign will once again change gear. Mr. Shore's supporters can expect to find themselves at the centre of a great deal of attention over the next few days.

LABOUR

Pay and productivity deal rejected by Esso drivers

BY NICK GARNETT, LABOUR STAFF

ESSO's tanker drivers and depot workers have overwhelmingly rejected a basic pay offer of 14.1 per cent, linked to a productivity deal giving an even larger increase on basic pay if efficiency targets were met.

A depot ballot of the workforce produced a 10 to 1 vote rejecting the offer which would have raised the basic rate by 31.5 per cent in stages if productivity targets were reached and maintained.

Negotiators for the Transport and General Workers Union will meet the company today to explain the vote which might indicate that the oil companies will find it difficult to secure a settlement for their tanker drivers below the rate of inflation.

Most of the other major oil companies have made the same 14.1 per cent offer but their drivers have still to vote on the proposals.

Mr. Jack Ashwell, transport workers' national commercial transport secretary, said after an Esso shop stewards' meeting yesterday that the principal reason for the rejection was the attaching of the non-productivity related 14.1 per cent rise to a union acceptance of the productivity offer.

He said, however, that the union was also reverting to its original claim on basic rates. This is for a basic £110, a rise of more than 19 per cent on the present £92 rate.

The company's offer is a basic £105 which would rise in stages to a possible £121 based on higher motorway running speeds and a reduction in vehicles and staff levels.

"The companies should now negotiate in a positive way on the basic wage claim," said Mr. Ashwell. The Esso workforce had made it clear that it wanted productivity talks carried out separately from the basic wage negotiations.

BP has improved its pay offer to refinery workers at its Grangemouth operation in Scotland. The proposals, to last 18 months, involve a rise of 11 per cent from September, a further 6 per cent on the new salary from March and another 3 per cent, also compounded from next September. But the union wants a 12-month deal.

Shell has already secured a settlement for its refinery workers which is worth 14 to 15 per cent over 12 months.

Picketing code to be redrafted

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE GOVERNMENT'S code on picketing, to be published soon, will be redrafted to make it clear that the figure of six pickets is "illustrative" rather than the maximum allowed, Mr. James Prior, the Employment Secretary, said yesterday.

Mr. Prior told the Commons select committee on employment that the Association of Chief Police Officers found the section on numbers in the draft code "ambiguous," and wanted to retain police discretion in deciding how many should be permitted.

The section would be redrafted to make it clear that six was a guide, not a maximum.

Mr. Prior also said periodic reviews of closed shop agreements, provided for in the draft code on the closed shop, were likely to remain part of the Government's approach.

He said he had received conflicting advice about the wisdom of periodic review, but it was clearly right that existing agreements should be subject to review every few years.

Referring to a report on the forthcoming TUC Handbook on the Employment Act, Mr. Prior said he would condemn any move by unions to make the Employment Act unworkable.

The Handbook reportedly advises union officers to defend closed shops by putting pressure on employers, resisting periodic reviews and making it difficult for union members to opt out of membership on the grounds of "deeply held personal conviction."

They should also resist a secret ballot on establishing a closed shop, at least until after it had been established. Mr. Prior said this would be a "travesty."

He insisted that the codes could be "quoted" rather than "used" in courts of law. They were not guides for the courts, but for those intending to picket.

The select committee is to publish its report on the Employment Act and the draft codes today. Mr. Prior has said he would wait until then before publishing the codes.

● Mr. David Basnett, general secretary of the General and Municipal Workers Union, has warned the Government against implementing further cuts in social security benefits in the next financial year.

He said the Government seemed to be considering not only repeating the 5 per cent cut in the real value of short-term national insurance benefits but also diminishing the real value of child benefit and even cutting supplementary benefits.

Rolls-Royce links pay increase to productivity

By Philip Bassett, Labour Staff

ROLLS-ROYCE is replying to wage claims from its employees by insisting that pay increases for the next 12 months can only be made if they are linked to improvements in productivity.

The State-owned aero engine company is taking a firm line over pay because of its need to contain internal costs. Last month's hafl-yearly statement of the National Enterprise Board showed net losses at Rolls-Royce were £17m in the first half of this year, compared with £9m for the same period last year.

The company is finding the strength of the pound particularly difficult, partly because its main competitors are the U.S. manufacturers Pratt and Whitney and General Electric, and partly because its engines are priced in dollars, which effectively means they fall in price as the pound rises.

Difficulties

The company is making plain its financial position in replies to claims from various groups of workers. Though it has site bargaining at individual plants, the overall strategy on pay is to insist on definite productivity improvements.

The 20,000 workers and staff at the company's Derby plant submitted claims last month for increases of 10 per cent and more.

The company replied last week by saying that while no increases could be made on basic pay alone, it would be prepared to offer 5 per cent for "re-datuming," or setting a new level for productivity calculations. There would then be opportunities for further increases in steps of 2½ per cent.

The Derby works committee is to meet today to discuss the proposals, but Mr. Tony McCandless, chairman of the shop stewards' committee, which represents the plant's 11,000 manual workers, said while they understood the company's financial problems, other companies with difficulties, such as BL, had managed to make some sort of pay offer.

"It is our job to protect the living standards of our members and that is what we intend to do," he added.

Agreement

Basic pay rates at Derby will be improved over the year, though, since the company consolidates into basic rates a proportion the productivity bonus.

At present 15 per cent of the existing 25 per cent bonus level is consolidated, but under the offer this will be increased to 20 per cent of a 30 per cent level, so increasing base rates.

At the company's two Scottish plants, the 6,000 manual workers have been offered similarly-based productivity rises which would raise the pay of skilled workers from £111.03 to £118.70 and of unskilled from £89.30 to £94.18.

Prior criticises advice on dole office workloads

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT responded sharply yesterday to advice by the Society of Civil and Public Servants urging its members in unemployment benefit offices to ignore work on fraud detection and benefit overpayment because of staff cuts.

Mr. James Prior, Employment Secretary, in a letter to the union, said he did not accept that offices were or were likely to be under such pressure that normal working procedures could not be carried out.

He said staff were "coping splendidly and with their usual efficiency with a difficult upsurge in claims." There had been a 23 per cent increase in staff since April to cope with increased workloads, and staff were still being recruited.

● Civil Service unions yesterday agreed to hold a week of 22 meetings in protest at the Government's suspension of the Service's pay agreement for this year. They will centre on November 26 and 27.

The unions have served a writ on Mr. Vernon Morgan, director of the Service's Pay Research Unit, asking him to release the pay comparability reports which are used to determine Civil Service pay increases. The injunction was expected this week, but the unions' lawyers served it last Friday.

Prison officers in fresh talks on meal dispute

BY PAULINE CLARK, LABOUR STAFF

PRISON officers' union leaders will meet senior representatives of the Prison Department today when it is hoped a fresh initiative will be taken to try to settle the national dispute over meal break payments.

The Prison Officers' Association yesterday stepped up industrial action in several of Britain's major prisons yesterday. But union officials said that they would not withdraw their demand for arbitration on the claim.

Today's talks are expected to focus on attempts to introduce a new shift system and other conditions of work common to all prison officers. The Home Office hopes this will provide a solution to the present dispute.

Prison officers in four cities intensified industrial action for a limited period to demonstrate that there was no weakening of the union's position.

Work was stopped for a time at a Bristol remand centre, Manchester's Strangeways Prison, Liverpool's Walton Prison and at Armley in Leeds. Prisoners remained locked up in their cells.

Banks told to consult staff

BY NICK GARNETT, LABOUR STAFF

BANKS will face greater industrial relations difficulties unless they negotiate with unions on technological change, says a report today by the international trade secretariate representing workers in banks, insurance and commerce.

The report, drawn up by the International Federation of Commercial, Clerical, Professional and Technical Employees, says that electronic data processing (EDP) and its concentration in special data processing departments has dramatically increased the power of trade unions to disrupt banking operations during disputes.

It says, however, that unions taking part in the federation's survey, are concerned at what they see as the resistance of some banks to negotiate on technological change.

The survey, carried out among the federation's 190 member organisations in 84 countries shows that unions generally feel that while technology has increased productivity it has reduced the skills necessary to do many of the jobs in banking.

Firemen's claim studied

BY OUR LABOUR STAFF

LOCAL AUTHORITY employers will consider today whether to make an 18.8 per cent pay offer to Britain's 35,000 firemen or face a confrontation with union leaders.

Employers' representatives, who are to meet the Fire Brigades Union for the first formal discussions in the new wage round, said yesterday an 18.8 per cent rise was indicated if the firemen's wages formula was not to be broken.

The formula, agreed after a nine-week strike by firemen three years ago, is based on a figure a quarter of the way down the scale of average earnings for manual workers contained in the New Earnings Survey in the year until last April and the subsequent earnings trend until October.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● PESTICIDES

Better betting on molecular roulette

BECAUSE THEY are indifferent to the sort of investigative surgery which would be lethal for most animals, locusts are being used as laboratory specimens for research into a technique which could lead to the production of much cheaper, more effective, and safe pesticides.

Doctors Mark Tyrer, Jen Altman and Carole Hackney at the University of Manchester are all experts on the nerve circuits in the locust's brain controlling its flight behaviour.

By using an electron microscope and a techniqe which involves staining individual nerves with different tracer dyes, they are studying the pathways into the insect's brain in order to build up a three-dimensional wiring diagram of its nervous system which, it is believed, could lead to the identification of target areas in the system for which new and specific pesticides could be formulated, without risk to mammals or the environment by leaving dangerous residues in vegitation.

Identification of these target areas has been suggested as a more hopeful and economic route to finding new pesticides, rather than continuing methods of research presently used by the agrochemical industry.

Latter fall into two kinds—random synthesis of possibly effective compounds, and analogue synthesis of naturally occurring compounds like the pyrethrins.

Known in the industry as molecular roulette, random synthesis is said to be hit and miss—and the rate of misses makes it prohibitive in terms of time and money. With the need for thorough screening of possible compounds for effectiveness and safety, it has been calculated that up to 20,000 compounds are on test each year by major companies and only about one in 15,000 emerges from the six to eight year trial period with any prospect of being commercially viable.

Analogue synthesis—or the imitation of nature—has had limited success but to-date has lacked much fundamental biochemical knowledge of the why and how of effectiveness.

Object of the doctors' research is to solve these riddles by tackling the problem from the opposite direction with the hope of discovering new pesticides to safeguard our food supplies.

More from UMIST, P.O. Box 88, Manchester (061 236 3311).

● PROCESSING

New mixing machines for paints, dyes and food

A RANGE of high shear fluid mixing machines for low abrasive mixes has been launched by Unishear Mixers, Great Bridge Industrial Estate, Toll End Road, Great Bridge, Tipton, West Midlands (021-557 6658).

The machines employ two stators—a lower pre-dispersion stator, and a fine mesh upper stator for final mixing.

By placing flow control in its lowest position, the flow of materials to the upper stator is closed off forcing the materials to pass only through the lower stator.

Liquids, solid agglomerates, fibrous materials, emulsions, dispersions, gums, etc., are presheared to a fine, even consistency without the possibility of holes in the upper stator becoming blocked.

By raising the flow control, materials then flow through the fine mesh of the upper stator for intensive secondary shear action and final dispersion. There is thus no need to change stators during the mixing process, reducing mixing time by between 25 and 50 per cent in many instances, and greatly increasing the plant's productivity.

Applications include food, drink and chemical processing, plastics and paint manufacture, metal finishing, dyeing and effluent and waste treatment.

Chips run everything in the modern theatre

BY GEOFFREY CHARLISH

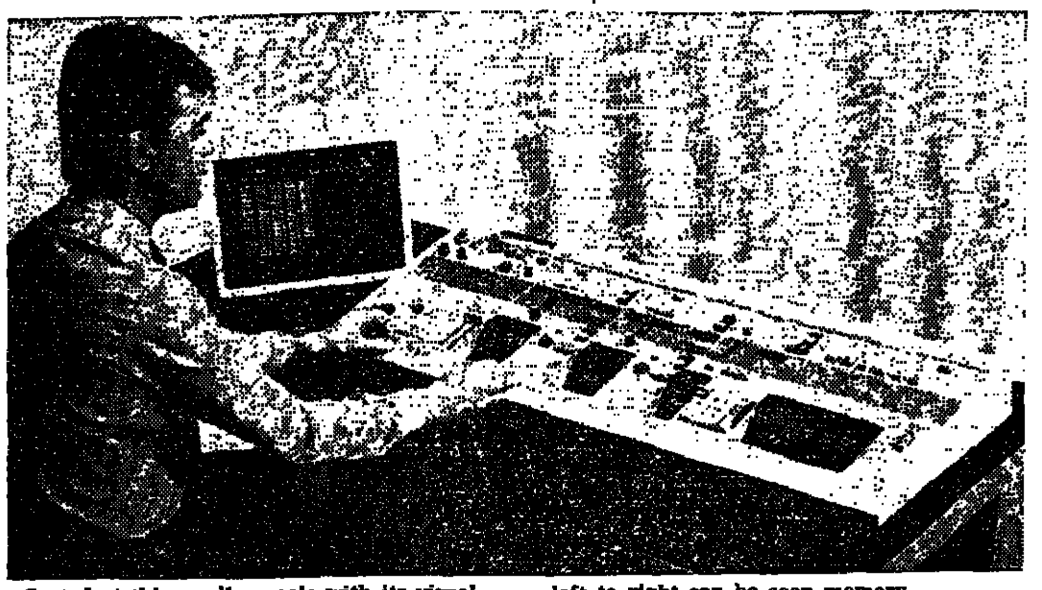
A BRITISH company has developed a television and stage lighting control system described by one of its executives as a "word processor for the lighting director"—it can remember the most complex theatrical lighting sequences, "play them back" performance after performance but at the same time allow last minute changes on the night.

The microprocessor-based equipment has been developed by Rank Strand, a division of Rank Audio Visual of which David James became managing director last year after moving English Numbering Machines (another Rank company) into the electronic era with new products and new premises.

He plans to weld various components of Rank Audio Visual into a group offering total support service for the performing arts including lighting, sound, stage / studio engineering, drapes and props—even the seats to sit on. It will put the UK group into a strong position to export complete theatre and TV studio packages into new or re-furbished installations throughout the world.

The name of the new lighting system is Galaxy and the aim is to allow modern electronics to come to the assistance of the lighting director without the "gimmicks" that have plagued some equipments of this kind in the past.

Rank Strand admits that some of its own offerings in this field have been too complicated and expensive. Galaxy starts at £12,000 and the controls have been kept as simple as possible so that the lighting man can put his mind to the creative work rather than the hardware.



Seated at this small console with its visual display unit a lighting director can set up a complete sequence of lighting combinations which can then be cued in at the appropriate moment during the performance. From left to right can be seen memory, playback, channel control and at the extreme right a group master panel of six fader wheels, each of which can control whole groups of lights.

As the lighting design for a performance progresses any of up to 768 individual lights (channels) can be called up on a keypad, the same channel number appearing on an illuminated digital display. The designer can then set the intensity level of that channel by moving a fader wheel or by entering its numerical value on the keypad.

If desired a group of lights can be controlled simultaneously: individual channels of various levels can be added to compose the group. Furthermore, control of whole groups of lights that have been thus composed can be moved to any of six fader wheels so that up to six groups of lighting may be balanced with fingertip control.

Alternatively, if lights fail or are knocked out of position a new temporary set-up can be entered from the console leaving the original memory unaffected.

On a small visual display unit mounted on the control desk the operator can see a listing of all the active (actually illuminated) and inactive (stored ready for use) channels and the levels to which they have been set.

For longer term use a floppy disc store can be provided so that well established performances can be kept or transported conveniently from one theatre to another.

Technically, Galaxy differs from its predecessors by using a "data highway" between the various panels on the console and also between console and computer which can be widely separated, only a four-core cable being needed for their connection. Lights are connected to the computer unit on a per-channel basis.

If the computer fails, then fall-back to a pin-patch system is provided by which lamps can be allocated by hand to the fader wheels.

By making Galaxy available on a modular basis, Rank Strand believes it can offer lighting control suitable both for television studios where each production is unique and not likely to be repeated and the theatre where, once a production has been set up by a lighting consultant the work of playing through the programme every night can be delegated to an assistant who, nevertheless, must be able to cope with the untoward as smoothly as possible.

The company admits that equipment of this kind induces a degree of de-skilling into theatre work but sees the trend as inevitable.

Galaxy was first developed for the Victoria Arts Centre in Melbourne, Australia, and 17 pre-launch orders have been won of which two are for the BBC at Glasgow and White City. During 1981 it is expected that some 60 systems will be sold.

● AGRICULTURE

Keeping calves in condition

FARMER WILCOCKS of Hartnolls Farm, Post Hill, Tiverton, Devon has been bucket feeding his calves twice a day on a new milk replacer which derives most of its protein from milk solids yet, because of new technology, will retail at about £100 a ton less than products receiving the EEC subsidy.

By a new ultra filtration process, the protein fraction of low priced whey is concentrated to provide a valuable raw material which when spray dried with fat becomes the ideal milk replacer base, says Volac, Orwell, Royston, Herts (022020 363).

In trials with Farmer Wilcocks' calves, the new product Dairymate is said to have performed equally well as those on a 60 per cent skim milk product—food conversion ratios were 1.71 and 1.7 respectively.

Calves were keen to feed, their coats were shining from the start, no medication was needed, and the animals were satisfactorily weaned in 30 days. Total cost to weaning was only £9.11 per calf.

Skim milk currently qualifies for £334 subsidy per tonne when incorporated into calf milk replacers which must contain at least 60 per cent of the skim and works out at a subsidy of about £200 on the finished product.

This put tremendous constraints on the formulation of calf milk, says the company, and the 60 per cent incorporation level left little scope for innovation in the formulation. Many people, too, have been concerned about the economics of calf rearing when the skim mountain subsidies and the subsidy is lifted.

The company says that the shackles of the EEC subsidy have been lifted in its product which for the first time combines a high specification with low cost, giving "amazing" value for money. By using concentrated whey, Volac says it is adding value to another fraction of the farmer's milk sales.

● MATERIALS

Mortars from Anglia

CONTRACTORS WORKING in central and eastern Essex and Suffolk will now be able to purchase a more economically priced lime sand mortar from RMC Mortars' new depot situated in the Bucbricks Quarry at Ardleigh, near Colchester, says the company.

The plant will produce a full range of coloured mortars, natural mortar, paving, plastering and rendering mortars as well as retarded sand cement floor screed, and has a production capacity of over 250 tonnes a day.

● HORTICULTURE

Probes and irrigates crops automatically

DESIGNED FOR use in greenhouses, market gardens and other industrial horticultural areas is a computerised irrigation control system from Fenlow Irrigation, 19 Baker Street, Weybridge, Surrey (0932 44976).

Soil parameters are continuously measured by large surface area gold-plated soil probes which send information to the system's brain for constant evaluation and updating of soil data. Solenoid valves or water pumps are electronically actuated to maintain optimum crop watering requirements.

The moisture level required is set by the use of a "set level" control and this information is stored in the computer as a base line for future reference, also continuously scanning the probes selecting a channel for irrigation on a priority basis.

Irrigation time is preset by an "irrig time" control and when the moisture reaches its optimum level, the valve is turned off and the next channel selected for irrigation.

Automatic alarms warn against excessively wet or dry conditions—which may occur due to failure in the distribution system caused by a faulty valve or fractured pipe.

In the ECH2O system, the computer mainframe contains up to four modules. Each of these is linked via two-way cables to four soil probes thus providing the horticulturist or grower with an expansion capability of four, eight, 12 or 16 controlled irrigation areas. Two probes are generally employed to monitor individual crop areas.

● DISPLAYS

Gets the message across

AN ELECTRONIC advertising sign offering information and logo display with a 24-hour clock as standard has been launched by RT Display Systems, 212 New King's Road, London, SW6 (01-731 4181).

This modular display method can mix advertising messages with news reports, weather forecasts and time-of-day displays, says the company.

It is operated by a small microchip computer, and message input is through a standard typewriter-style keyboard.

One of these signs has just been installed at a Reed Employment branch office in Slough High Street.

● COMMUNICATION

Monitors telephone exchanges

A NEW LOOK low-cost telephone accounting system has been launched by Interscan of Slough (0753 70821).

Called the Telaccounter (as was its predecessor), the system costs from £8,950 and is said to give a complete breakdown of a company's telephone bill in such a fashion that areas of high expenditure can be easily identified.

The system also provides a record of the way in which the telephone network is being used.

Interscan says the device can be attached to switchboards handling anything from 50 to 500 exchange lines, extensions and private circuits.

The system consists of a scanner attached to the switchboard which scans and records all activity (except speech, Interscan wisely notes).

Interscan claims that most organisations could expect savings of at least 16 per cent in 12 months on dialled unit costs.

APPOINTMENTS

Gestetner Holdings management board

GESTETNER HOLDINGS has reorganised its operations with the creation of a new Group Management Board, responsible for the day-to-day running of the worldwide Gestetner and Rex Rotary businesses. Mr. David Gestetner and Mr. Jonathan Gestetner have become joint chairmen of the management board. Other members are Mr. L. E. Eaton, Mr. A. Graham, Mr. P. S. Granger, Mr. C. Green, Mr. D. B. Haunch, Mr. O. G. Longley, Mr. D. C. Lowry, Mr. M. Maynard, Mr. K. Wamburg Rasmussen and Mr. H. Wiltshire.

The company states that the reorganisation will enable the Gestetner Holdings board to devote its full attention to broader matters of policy. The four existing boards within the group — manufacturing, international, management services and Rex Rotary—will remain unchanged and retain their present responsibilities.

*

PRINT DIMENSIONS has become a member of the Thames Estuary Plastics Group. Mr. David Watkins, chairman of Thames Estuary Plastics, is now also chairman of Print Dimensions and Mr. Alan Odam continues as managing director of that concern. Two other new members of the Print Dimensions Board are Mr. Ian Lauder and Mr. Russ Pulfer, directors of the parent company and Mr. Noel Stanbury heads the representation side.

*

Mr. Anthony M. Lee, previously director of finance and administration for AM BRUNING, has been appointed managing director.

*

Mr. Neil Thompson has been appointed to the new post of retail director of PICKFORDS TRAVEL.

*

Mr. Sanford N. McDonnell has been elected chairman of McDONNELL DOUGLAS CORPORATION and remains chief executive officer. Mr. John F. McDonnell has been made president.

*

The following London-based executives have been promoted vice presidents with CITIBANK N.A. Mr. Matthew Devlin, European traning centre: Mr. Keith Barber, financial control: Mr. John McFarlane, personnel group; and Mr. Nicholas Forde and Mr. Simon Smart of specialised industries group.

*

Mr. T. M. Clark, senior manager, industry services, at Lloyds Bank International, has been appointed chairman of LEASEUROPE, the European Federation of Equipment Leasing Company Associations. He succeeds Mr. S. G. Errington, managing director of Mercantile Credit Company. Both Mr. Clark and Mr. Errington are former chairmen of the Equipment Leasing Association, the UK member of Leaseurope.

*

Mr. Rohan R. Courtney has been appointed manager, Euroloans, of the London Branch of CREDITANSTALT - BANKVEREIN.

*

Mr. Arthur Chamberlain, chairman of JENKS AND CATTELL, is to retire from the Board. Mr. Robin Jenks will become chairman on the appointment to the Board of a new managing director. Mr. Richard Rylund retires from the Board at the end of this year.

*

Mr. D. Hamilton Harding has been appointed managing director of 505 MANUFACTURING COMPANY, a subsidiary of McKechnie Brothers.

*

Mr. P. M. Fisher has been appointed a non-executive director of ASSOCIATED ENGINEERING. He is group managing director and deputy chairman of the Avon Rubber Company and president of the British Rubber Manufacturers Association

*

Mr. W. A. Gordon Muir has resigned from the Board of WHATLINGS to take up an appointment to the Board of the HOUSING CORPORATION. Mr. Muir has been a non-executive director of the group since 1978.

*

Mr. Philip Case has resigned as group financial controller of Cope Allman International to join ENTREPRENEURIAL FINANCE as joint managing director.

*

Mr. Thomas B. Hassey has been co-opted to the Board of SUNBEAM WOLSEY.

*

Mr. Victor Bagwell has been appointed to the Board of G. A. HARVEY OFFICE FURNITURE, a subsidiary of Butterfield-Harvey. He was formerly managing director of Sankey Sheldon and is at present vice-president of the Business Equipment Trade Association and president of the European Federation of Manufacturers of Steel Office Furniture.

Today's Events

GENERAL

UK: Cabinet meeting to discuss further public expenditure cuts.

Results of first ballot for Labour Party chairman announced.

Mr. Norman Fowler, Transport Minister, speaks at vehicle body builder conference, Solihull.

Trades Union Congress conference on better representation for the unemployed, London.

Lloyd's of London members meet to discuss proposed Lloyd's new Act of Parliament, Royal Albert Hall.

Sir Murray Maclehose, Governor of Hong Kong, and Mr. David Newbigging, Jardine Group chairman, speak on trade opportunities in Hong Kong, at London Chamber of Commerce forum.

Mr. Denis Healey, Shadow Chancellor of the Exchequer, speaks at Southend.

Mr. Anthony Wedgwood Benn speaks against public expenditure cuts, Surbiton.

Duke of Edinburgh opens symposium on wind propulsion of commercial ships, Hammersmith.

Woodworker Show opens, Royal Horticultural Halls, SW1 (to November 9).

Conference on hazards of liquefied petroleum gas, Glasgow.

Kensington Antiques Fair opens, New Town Hall (to November 9).

Computer Peripherals and Small Computer Systems Exhibition and conference opens, Olympia (to November 6).

Overseas: Mr. David Howell, Energy Secretary, meets Mr. Arvid Johanson, Norwegian Minister of Petroleum and Energy, Oslo.

United States Presidential election.

Financial Times conference on investment in Malaysia concludes, Kuala Lumpur.

European Parliamentary budget session, Luxembourg (to November 7).

PARLIAMENTARY DIARY

House of Commons: Motion on EEC draft directive on product liability. Motion on proposal for a Community Driving Licence.

House of Lords: Motion to approve Education (Assisted Places) Regulations 1980. Highways (Road Humps) Bill, third reading. Debate on the recommendations in the Industry Department memorandum on NEDC.

Select Committees: Foreign Affairs, Overseas Development Sub-Committee. Subject: Energy implications of Brandt report. Witnesses: Shell, BP; BNOC; and National Coal Board (Room 15, 4.15 pm). European Legislation. Subject: EEC Budget 1981. Witness: Mr. Nigel Lawson, Financial Secretary to the Treasury. (Room 5, 4.30 pm). Transport. Subject: Channel Link. Witnesses: Redpath Dorman Long. (Room 16, 4.0 pm).

OFFICIAL STATISTICS

UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits for mid-October. Capital issues and redemptions during the month of October. London clearing banks' monthly statement for mid-October. UK official reserves for October.

COMPANY MEETINGS

Armstrong Equipment, Waldorf Hotel, Aldwych, WC, 12. Staffordshire Potteries, North Stafford Hotel, Stroke-on-Trent, 12.30.

BASE LENDING RATES

A.B.N. Bank	16 %	■ Guinness Mahon	16 %
Allied Irish Bank	16 %	■ Hambros Bank	16 %
American Express Bk.	16 %	■ Hill Samuel	§16 %
Amro Bank	16 %	C. Hoare & Co.	†16 %
Henry Ansbacher	16 %	Hongkong & Shanghai	16 %
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
■ Arbuthnot Latham	16 %	Knowsley & Co. Ltd.	18 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
BCCI	16 %	Edward Manson & Co.	17 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	Samuel Montagu	16 %
Banque Belge Ltd.	16 %	■ Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16½ %	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremar Holdings Ltd.	17 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
■ Brown Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm't Trust	17 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	16 %	Security Trust Co. Ltd.	17 %
■ Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	*16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16½ %
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagil Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	18 %		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	16 %		
Antony Gibbs	16 %		
Greyhound Guaranty	16 %		
Grindlays Bank	‡16 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%. 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14½% and over £50,000 15%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Horizons widen as the brakes come off at Halfords

Recession notwithstanding, the High Street retailer is expanding. Nicholas Leslie reports

BMX WILL become a big sport if Halfords has anything to do with it. What is BMX, you might well ask. So might your children.

This latest acronym stands for bicycle moto-cross, a children's version of motor-cycle cross-country racing, relying on pedal rather than motor power.

As Britain's biggest retailer of bicycles, Halfords has an obvious vested interest in promoting a sport that can widen its markets through the sales of special new BMX bikes.

The tracks for BMX are carved out of the natural terrain, so the going can get pretty tough at times. So has the path that Halfords itself has had to negotiate in recent years.

Not only has the company had to contend with the fickleness of the cycle market, and also the *motor parts business* which actually accounts for the greater part of its sales, but it has been operating until recently against the restricting background of a parent company, Burmah Oil, which was trying hard to recover from a major financial collapse.

Now, while Burmah is once more back on its feet and not having to call on its profitable subsidiaries for cash, Halfords *itself is having to contend with* a slump in the market. And to cap it all the company's marketing director has just been enticed away by the competition. As a result, there may well be a hiccup in Halfords' longer-term plans.

Against such a background it seems somewhat perverse for Melville Johnston, Halfords' chief executive, to say that in some ways the Burmah collapse in 1974-75 was "one of the best things that could have happened to us." Not that he in any *way wished for it, but he does* believe, with admitted hindsight, that it forced Halfords' *management* to think harder than before about where the company was going.

"We changed our philosophy on a number of things," says Johnston. "For example, we realised that we were opening new shops without real justification. The openings were coming very fast. So we changed our justification procedure, looking more closely at local populations, and so on. We also looked for a *quicker build-up of* business in them because of the adverse effects of inflation. We *also realised it was necessary* to be more specialist with our products, and we have done that *even more in the past* 12 months. And we improved considerably our cash management, *since Burmah was looking to us* for as much money as possible."

Prior to the Burmah crash *Halfords, as the dominant High* Street retailer of bicycles, parts and motor components, had been *expanding into new areas* like garden furniture and camping gear. In all, it was carrying *an enormous product range of* nearly 5,000 items. The number has since been cut back considerably. For example, it no longer sells garden and patio furniture and only a very limited range of camping and picnic gear.

Some of the first steps taken by the company after the 1974-75 trauma were *discussed* on this page nearly five years ago (February 17, 1976). In essence, *they were desiged to tighten up* the management structure to meet the objective of maximis*ing the* amount of profit available to Burmah. Investment generally had to take a back seat (though planning for the future did not completely stop) and a temporary halt was called to the expansion of the company's first overseas operation in Holland. Given that new impetus was about to be added to the *Dutch* strategy, this occurred at an undoubtedly inconvenient time.

Closer control

The shift in the management structure involved eliminating *one level in the management* chain to shorten the line of communication between the branches and top management. The number of branches over which each district superintendent (to whom branch managers report) had responsibility was also cut from 30 to between 12 and 15, so each superintendent had closer control and could more accurately assess trading trends.

On the marketing side, there was a changeover from self service to "assisted self selection." *This meant staff were on* hand to help and advise rather than just fill the shelves. The *objective was twofold: to moti*vate staff more, and to get some of the people who entered *Halfords shops but did not buy* anything to make a purchase (research showed that 27 per *cent of callers bought nothing*).

A major innovation nine years ago was the company's new 180,000 square feet warehouse at its Redditch, Worcestershire, headquarters. This centralised distribution, but teething troubles were still being experienced five years ago, with the mechanised flow system not working properly. At the same time, thought was being given *to using Halford's bicycle manu*facturing capacity at its Halmanco subsidiary to produce *other products to try and iron* out the seasonal production pattern (the greatest demand is at Christmas).

Four years ago, Mr. B. A. Jones, the chairman—who has since retired—described these changes as providing "the structure for the next decade." So how is it holding up?

All in all, rather well, according to Melville Johnston. But that is not to say that adjustments have not been necessary and that, with the burden of Burmah having been *removed, future expansion of* the existing business and moves into new markets will not require further reorganisation.

The management structure introduced after 1974-75 has not really changed at all and is providing the level of control—both marketing and financial—which was expected of it.

Significant changes are being made to distribution, however. In getting the central warehouse operating properly it was possible to analyse far more *accurately the pattern of pro*duct sales. This showed that of the reduced level of 3,500 product lines a mere 100 represented 40 per cent of volume. These were being distributed in full carton quantities, rather than in twos and fours and similar small numbers.

As a result, a more cost-effective approach has been adopted. Five regional depots are being established through which high-volume stock will be channelled direct from the manufacturers, by-passing the *central warehouse. This cuts* Halfords' transport costs, and releases space for future expan*sion at the Redditch warehouse.* At Redditch products requiring a high work content — that is, *breaking down deliveries from* manufacturers into small numbers for distribution to the branches — continue to be handled. Further analysis is being done to identify and improve the flow of the most profitable products and to achieve an overall reduction in handling costs.

Another direct benefit of centralised distribution and closer stock control has been Halfords' *ability to move speedily to* changes in market demand — an advantage demonstrated with *the advent of the current reces*sion. Further work in this area is being carried out, with the aim of eventually computeris*ing all stock movement records*, both in the stores and the warehouse.

On the overseas front, Halfords found that its initial efforts to adapt to its chosen new market did not quite hit the *target*. The programme in Holland in 1973 involved buying small family-owned cycle retail chains of two or three shops and overlaying Halfords stamp on them. Within a year, however, *it became clear that it was very* difficult to get the former owners—who had been retained—*to be aggressive in their* marketing.

Mark Rushbrooke, deputy chief executive (and grandson *of the founder of Halfords) who* spearheaded the Dutch drive, says: "We realised we needed a new image, and that we could not do that by buying existing businesses." Unfortunately, just as the new formula of starting branches from scratch was about to get under way the Burmah crisis appeared and expansion stopped. At the time there were eight Dutch branches.

For the next three years a *waiting game had to be played.* Two of the original shops were closed, because they were too small and *poorly* located, leaving six. This, says Rushbrooke, meant the company was "caught in a nutcracker, *because this number was not* enough to form a nucleus. We had been looking for 20 stores *to support the type of operation* we needed."

However, as financial constraints have eased new branches have been opened and there are now 21. In 1979 an operating profit, before interest charges, was achieved in Holland, though it is felt that another two or three years will be needed before Holland becomes really profitable.

There were times, says Rushbrooke, when thought was given to pulling out of Holland. "But the thing that kept us going was that we clearly have some shops that are doing very well. That gives us faith in the operation."

If there is one area where Halfords has been fighting an *uphill battle at home, it is its* image. Even now, with 80 per cent of its business related to the automotive trade, it is still viewed by the public as a cycle shop. Yet it is in the former that some radical changes have taken place in the past few years in response to the recession and reduced spending power. *Instead of promoting* heavily "bolt-on" accessories, a switch has been made to more *basic automotive parts sought* by the motorist doing more and more of his own vehicle servicing. Renewed emphasis has just been given to promoting the motoring image, with the introduction of separate "discount auto parts" sections in the stores.

Meanwhile, Halfords has also made its second corporate image change in the past five years, having switched from a *softer presentation with "house colours"* of orange and green to a sharper, more modern *image with house colours of red* and white strip on a black background.

The one part of Halfords *which escaped the* brake on progress was Maccess, the wholesale cash and carry ware*houses which deal in motor* accessories for trade customers only. Its progress, master*minded by Max Pearce*, the marketing and buying director who has now joined the rival GKN automotive parts division, was unhindered because it started from a small base, did not need great amounts of cash and was more or less self-financing.

Having established Maccess, Pearce's more recent remit at Halfords has been to look at new areas for expansion, so his departure will obviously slow this process down a little. However, Johnston believes there *will only be a short hiatus* before this programme gets under way again fully.

Though Halfords' 1980 figures are likely to be hit by the recession, it has moved ahead strongly since it was last featured on this page. Then, the latest figures showed pre-tax profits of £1.8m on sales of £32.6m for 1974 by Halfords itself (excluding Holland and Maccess, which are actually *direct subsidiaries of Burmah*). In 1979 profits were £6.8m on sales of £87.4m, which means *that margins had improved* from 5.6 per cent to 7.8 per cent, though still short of the targeted rate of 10 per cent.

For the future, Continental Europe is the favoured hunting ground of the Burmah Board for Halfords, although Johnston has a personal view that better opportunities exist in the U.S. On the other hand, he acknowledges that for various reasons Burmah's other automotive *parts subsidiary, Quinton Hazell*, is probably the better name to exploit in America and that, for *Halfords, the best means of* expansion may be by way of an acquisition as a trade investment.

Hugh Routledge

Melville Johnston (right) chief executive, and Mark Rushbrooke, deputy chief executive of Halfords

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Capital gains tax

I am a speculative trader in *commodity futures* i.e. with no intention of taking delivery, trading main trends only. In your view should the profits be taxed as capital gains, Schedule D case 1 or Schedule D case 6?

There is no simple rule-of-thumb answer, but on the bare facts we plump for case 1 of Schedule D. The tax inspector will no doubt try for case 6, so you may have to take an appeal to the General (or Special) Commissioners.

Vote of no confidence

As a shareholder in a public company I intend proposing a vote of no confidence in the *managing director at the next* AGM. Could you please advise me what is the legal procedure to follow? Is there anywhere I can read up on the subject.

You should notify the company secretary that you wish to propose the motion which you have in mind under other business. However, it may be that what you really require is a motion dismissing the director in question under the provisions of Section 184 of the Companies' Act 1948, in which case formal notice of the proposed resolu*tion must be given to* the company at least 28 days before the meeting. You may derive assistance from such books as Shaw and Smith on the Law of Meetings.

Capital expenses

During the last tax year I began to carry out work on a freelance basis, for which I purchased items of capital equipment totalling £220. I presented accounts *showing total amount* earned untaxed, costs incurred in earning it, and the capital sum above. The Tax Inspector agreed my figures and allowed the full capital sum as a deduction.

The question is: what do I put down for capital expenses next year? Assuming I do not purchase anything else, should I restate the sum as £220, increase it to allow for inflation, or decrease it to allow for wear and tear? I have heard that capital sums may be "written down." What does that mean, and how do I do it?

If you purchase nothing, you simply report your capital expenditure as zero.

Your initial capital expendi*ture of £220 has been written* down to zero in the first year (by what is known as a 100 per cent first-year allowance), and it cannot be written down below zero.

You should ask your tax inspector for copies of the free booklets IR28 (Starting in Business) and CA1 (Capital allowances on machinery and plant); these will make the basic rules clearer to you.

Taxable donations

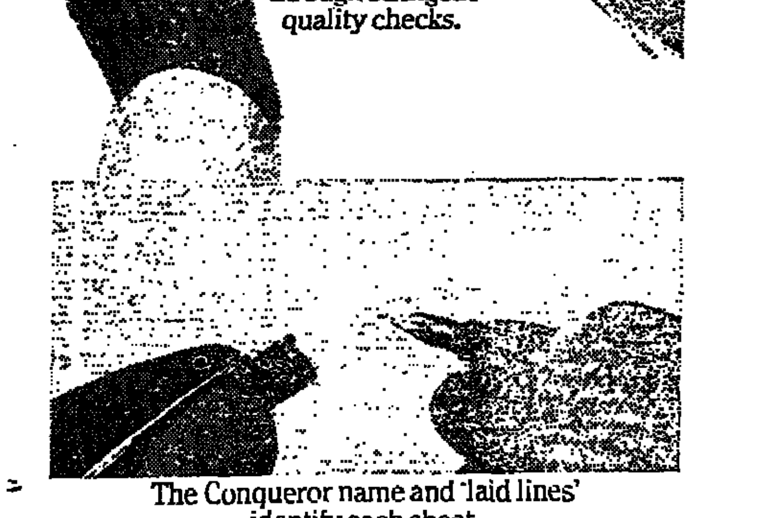
Company reports frequently mention the *sums of money that* have been donated to charities and/or political parties, but *none that* I have read indicate whether these sums come from capital or from revenue sources. Can you tell me if there is any standard rule or practice in this matter, and in the case of a donation from revenue, does this qualify as a pre-tax charge?

Such donations are virtually always made out of profits.

Political donations *will rarely* satisfy the criteria for deduction in computing profits for *corporation tax purposes.*

Charitable donations, however, will often be allowable for corporation tax, even if not made under deed of covenant. The rules have been relaxed by clause 52 of the Finance (No. 2) Bill, as published on April 17.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.



LOMBARD

Slaughter of the innocents

BY ANTHONY HARRIS

MR. JAMES PRIOR is a humane and intelligent man, so it is distressing to see him retreating into misleading platitudes when he is asked to comment on the appalling acceleration in the rise in unemployment this autumn. Of unemployment in general, he says that it is "due to our inability over a number of years to produce the right goods at the right price at the right time," and he goes on to seek comfort in the fall of 62,000 last month in the number of unemployed school-leavers.

Real wages

The first part of this statement is a travesty, and it is important to get it right before one can see the problem of youth unemployment in context. Mr. Prior, along with other Ministers, sometimes seems to inhabit a world in which there are no real prices, only entrepreneurial virtue or the lack of it. Of course we are not as efficient as some of our competitors (though we are also more efficient than some of the others); but that would not cause unemployment if our real wages reflected our relative efficiency. We have high unemployment because real wages are excessive. Furthermore — and this is where this boring truism gets embarrassing — the excessive level of real wages is quite largely the result of Government policy.

The reason, it cannot be overstressed, is that this is how an effort to check inflation through monetary policy is bound to work. That is why checking inflation through an incomes policy is so much less painful. You may argue, as the Government does, that the "gains" from incomes policy are temporary and delusive, and that you cannot expect workers to co-operate for long in cutting their own living standards: you may hope, as the Government does, that experience of market forces will be more educational and beneficial in the long run. But in the short run, suppressing the inflation which would otherwise cut real wages through monetary policy —or for that matter through price controls, beloved of the Left—causes unemployment because real wages are then allowed to remain excessive.

You might expect Ministers to rub this message in, and enjoy it in a way, but there is a further layer of embarrassment. This effect of a tight monetary policy is actually exaggerated substantially when the Government gets its own policies wrong. Excessive money wages in the public sector, and excessive Government borrowing which results, drive up interest rates and the exchange rate still higher. The perverse laws under which fiscal laxity is rewarded with ever higher exchange rates was first suggested by Robert Mundell, rediscovered by my colleague Samuel Brittan, and vividly illustrated by the recent rise of sterling and the dollar. Breaking bad habits is a painful business; trying to do so without breaking bad Government habits makes it twice as painful.

Now, painful though it is, the Government strategy of treating the economy through a heroic dosage of reality may prove effective. Mr. Prior pointed out the visibly educational effect on wage bargaining and industrial efficiency. He might have added that there is some fairly rapid rethinking also going on among Ministers and officials.

However, there is one group involved which has yet to join in the process of bad decision-making by governments, managers and trades unions which has brought us to this point: the young. They may be thuggish and ignorant, as some of them are, or energetic and idealistic, as others are, but they surely have some right to sit this one out.

Unacceptable

So it is not good enough for Mr. Prior to find the recent drop in youth unemployment "encouraging." Even after that drop there are about twice as many young people unemployed as there were a year ago: add in the almost equal number subsidised for the time being under the admirable Youth Oportunities Programme, and you have more than ¼m without what Mr. Prior would call "real" jobs. This may be economically inevitable, but it is morally intolerable and socially dangerous.

Until training or other opportunities are available to all the young unemployed it will remain the unacceptable face of Thatcherism. Mr. Prior should follow his own instincts, say so, and get something done.

The red Rhônes flow too fast

WINE

BY EDMUND PENNING-ROWSELL

ALMOST A decade has passed since I wrote in this column that with the price of red burgundies rising so much, it was time to look at the Rhônes. Yet glancing back at old wine lists from today's standpoint, burgundies appear to have been modest in price compared with today, even taking inflation into account.

But the fine Rhône wines are now, comparatively, even more attractive purchases. The ex-cellars trade price of a 1979 Chambertin—by no means the most expensive of the Côte d'Or reds—is not much less than FFr 70 (nearly £7) a bottle, whereas a Hermitage of the same vintage is not greatly over FFr 30. The Rhône's other top red wine, Côte Rôtie, costs about the same.

One leading Tain l'Hermitage grower and merchant told me on a recent visit that he lost money on these wines, which should be double the price—although another grower/merchant of equal standing did not agree with either statement. He admitted, however, that considering how small the production of Côte Rôtie is—averaging 3,000 hectolitres (c 33,000 dozen bottles)—a merchant's profit was at best marginal.

The first merchant claimed that as far as the superior Rhône reds went, he made his money on Châteauneuf-du-Pape. The average output is around 80,000 hl (nearly 1m dozen bottles). Taking this quantity and the general level of quality into consideration, a typical ex-cellars price of about 25 francs a bottle strikes me as over-priced by the time it reaches our retail lists. But there is Châteauneuf and Châteauneuf—and some is much cheaper.

One reason for the comparatively high price is that some years ago it became, like Pouilly Fuissé, one of the names known to American wine drinkers, who bought it in large quantities. But no longer. U.S. demand for Rhône wines is now reported to be at a low ebb—yet the price remains high in relation to the top northern Rhône reds.

An unfortunate result of the relatively low price and middling reputation of the latter, except among a few knowledgeable drinkers, is that few of the top wines and those on the next level (including the less distinguished Crozes-Hermitage, St-Joseph and Cornas) are given a chance properly to mature.

These are powerful wines, often quite high in alcohol, and they need time. Yet not only are they sold too early by the local merchants—a Côte Rôtie merchant told me that he had no 1976 left for sale, and the 1979s have already been offered in London—but their trade customers list them too soon for their retail customers.

Such a speedy sequence is not, of course, confined to the Rhône, but even when burgundies and clarets are drunk too young, there is general recognition that at least the finer of them deserve a better fate. This is much less appreciated with the superior Rhône reds, which in some quarters are still considered as a sort of poor man's burgundy.

Perhaps Hermitage has not altogether lived down the reputation it had, until just over a century ago, of being a vin de l'aide, used for blending with red bordeaux to make leading clarets palatable to the wealthy English who bought most of them. Probably, too, Rhône reds "aided" a good deal of burgundy, for until comparatively recently, it was the merchants of the Côte d'Or rather than the local firms that bought most of it.

There has been an under-appreciation, also, of the best white Rhônes, notably Hermitage Blanc and Condrieu, the tiny district south of Vienne, in whose vicinity most of the annual production of about 3,000 dozen bottles is consumed.

Then there is the adjoining Ch. Grillet, the smallest French vineyard with an appellation contrôlée of its own, and with a reputation among wine amateurs that is not matched by the breadth of its distribution, though in England Yapp Bros. of Mere, Wiltshire, have a small share of the 500-750 dozen bottles produced each year (£15.50 a bottle for the 1977). At 65 francs a bottle, ex-château, this cannot be described as inexpensive, but the leading producer of Condrieu, Georges Vernay, sells his wine for 40 francs. These ex-source prices are given in order to provide easy comparisons.

There are two schools of thought on whether white Rhônes should be kept or drunk young. M. Neyret-Gachet of Ch. Grillet keeps his wines in cask for two years, whereas M. Vernay bottles his in the spring following the vintage. The former has more depth of body, the latter is fresher, and which one prefers is a matter of taste. Personally I prefer the fresher wines, as I do all the white Rhônes, including white Châteauneuf, although one of the most distinguished properties there, Ch. Rayas, is known for its old whites as well as its long-lasting reds.

The obvious reasons why the superior red Rhônes are sold in infancy and for the most part drunk in adolescence are the high cost of keeping them and the shortage of accommodation, all the way from the growers' cellars to the consumers' homes. As a result they do not show their full merit—and this includes Châteauneuf—and so are not taken as seriously as they deserve. And because they are acceptable rather than exceptional, few serious wine drinkers think it worthwhile buying them early and keeping them.

A further consequence, according to an Avignon wine merchant, is that the taste for old wines is being lost. When he produces a bottle of mature red Rhône, his own (adult) offspring find it too old, and prefer a young, full-bodied, racy wine—always a tendency among French wine drinkers, who are prone to accuse us of keeping our wines too long. If ever this was true, it certainly is not today.

There is nothing much to be gained by keeping the basic Côtes du Rhône, which provide very good value, but for those prepared to spare some cash and space—if not at home, then in a merchant's reserve—for keeping the finer wines, the best vintage generally available today is 1978, acknowledged to be a great Rhône year, and a successor to 1961.

As there is a considerable distance between the northern Rhônes, produced between Vienne and Valence, and those further south, not all years are equally successful throughout. For example, 1970 was normal in the north, but very good in the south, while 1975 was above average in the north, and less fine in the south.

The 1979s are lighter than the 1978s, but very fruity. Those of Jaboulet of Tain were shown recently in London by their agents, O. W. Loeb, 15, Jermyn Street, SW1. Older vintages of distinction include 1976, 1971, 1969 and 1967.

Châteauneufs do not need keeping as long as Hermitage and Côte Rôtie. A 1970 Ch. Fortia that I tasted was beautifully round, and velvety with an aromatic bouquet. It appeared to be at its best, but a longer life is predicted for the 1978s. The white 1979s are excellent and, as with the Châteauneufs generally, best drunk young.

One great advantage of the Rhône is that the quality of the wines is much more regular than further north. The worst vintage in the past decade was 1974, but 1975 in the south and 1977 throughout the region rather lacked body, though drinkable enough when young.

Eddery trying for a double win

RACING

BY DOMINIC WIGAN

PAT EDDERY, whose efforts in the Prix de l'Arc de Triomphe and William Hill Futurity—on Detroit and Beldale Gunflint respectively — contributed so much towards his Amoco "Jockey of the month" award for October, may be the man to follow at Leicester today.

Eddery, the rider of over 900 winners in this country alone since the start of the 1975 campaign, will be disappointed if the once-raced Covent Garden fails to get him off on the right note in the opening division of the Hoby Maiden Stakes.

Covent Garden, a beautifully bred colt by Stage Door Johnny, out of the Roan Rocket mare Rock Garden (a half-sister to Glen Strae) caught many an eye at Sandown on October 21.

There, Mr. Jock Whitney's full brother to Garden Swing was running on as well as any when third behind Obrovac in the mile Dorking Stakes.

Another well-bred juvenile, Mrs. Marcel Lequime's Rollrights, could be the one to bustle up the selection.

A second likely winner for Eddery, who expects to have a spell of a fortnight or so at Ballydoyle in early March in order to get acquainted with the Cashel team, is Judeah.

The late-devoloping daughter of Great Nephew got off the mark last time out following several creditable efforts and looks weighted to land the Tugby Handicap off 8 st 5lb.

Half an hour later it seems probable that Gazaan will wind up a successful campaign for the Aga Khan with a win in Division, II, Part II, of the Hoby Maiden Stakes.

The Michael Stoute colt belied his odds of 33-1 when shaping well behind Belloc at Lingfield early last month.

LEICESTER

12.45—King's Spy
1.15—Covent Garden**
1.45—Spikey Bill
2.15—Strathdearn
2.45—Judeah***
3.15—Gazaan*
3.45—Belloc

TV/Radio

BBC 1

☆ Indicates programme in black and white

9.05 am For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Bagpuss. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 News. 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Play Away. 5.05 John Craven's Newsround.

5.40 News.

5.55 Nationwide.

6.55 Film: "The Girl in the Park."

8.30 Forgive Our Foolish Ways.

9.00 News.

9.25 Play for Today.

10.35 Best of British.

11.05 Lord Mountbatten Remembers.

11.35 News.

11.40-2.30 am The Next President: Night of Decision — by satellite, the presidential election results as U.S. television viewers seen them unfold. State by State.

All Regions as BBC1 except as follows:

BBC Cymru/Wales—11.38 am-12.03 pm Dechrau Siarad. 5.15-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.55-7.15 Heddiw. 7.15-7.45 Pobol Y Cwm. 7.45-8.30 Rising Stars. 11.35-11.40 News.

Scotland — 10.38-10.58 am For Schools. 12.40-12.45 pm Scottish News. 5.55-6.20 Reporting Scotland. 11.05-11.35 Current Account.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.35-11.05 Spotlight. 11.39-12.00 Festival Notebook. 12.01-12.05 am News. 12.05 Join BBC1.

England — 5.45-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Nationwide (London and South-East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.00 am Your Own Business.
11.00 Play School.
11.25 Speak for Yourself.
2.15 pm Accident of Birth.
2.30 The Past at Work.
3.00 Behind the Scenes.
3.30 Living City.
4.15 Working for Safety.
☆5.40 Harold Lloyd film.
6.05 All Creatures Great and Small.
6.55 Old Grey Whistle Test.
7.35 News.
7.45 Waltons.
8.30 Russell Harty.
9.00 Kelly Monteith.
9.30 Man Alive.
10.20 Cambridge Folk Festival.
10.50 Newsnight.

LONDON

11.59 am Paperplay. 12.10 pm Pipkins. 12.30 Sullivans. 1.00 News. 1.20 Thames News. 1.30 Take the High Road. 2.00 After Noon Plus. 2.45 General Hospital. 3.45 Hello, Good Afternoon and Welcome. 4.15 Get It Together. 4.45 Ace. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 John Smith Show.
7.30 Star Games.
8.30 Arthur C. Clarke's
8.00 Strangers.
10.00 News.
10.30 In Evidence—The Bomb: Jonathan Dimbleby.

11.45-1.00 am America Decides: first results of the U.S. Presidential Election.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 6.00 About Anglia. 7.00 Gambit.

ATV

1.20 pm ATV News. 5.15 Survival. 6.00 ATV Today. News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm.

BORDER

1.20 pm Border News. 5.15 Survival. 6.00 Lookaround. 7.00 Emmerdale Farm. 11.45 Barney Miller. 12.15 am Border News.

CHANNEL

1.20 pm Channel News. 5.15 Doctor Down Under. 6.00 Channel Report. 7.00 Survival. 10.28 Channel News. 11.45 Chopper Squad. 12.36 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

1.20 pm North News. 6.00 North Tonight. 7.00 Electric Theatre Show. 2.00 am All-American All Nite Show.

GRANADA

1.20 pm Granada Reports. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 2.00 am The All-American All-Night Show presented by Gus Macdonald and Ned Sherrin. 7.00 America Decides.

HTV

1.20 pm HTV News. 5.15 Rookie Revue. 5.20 Crossroads. 6.00 Report West. 6.30 Three Little Words. 7.00 Emmerdale Farm.

HTV Cymru/Wales—As HTV West except: 9.30-9.45 am Mwy Neu Lai. 12.00-12.10 pm Trehetiau. 4.15-4.45 Doctor Snwgwl. 6.00-6.15 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.15 Nos Fawrth O Glwyd. 11.15-11.45 The Practice.

SCOTTISH

1.30 pm Against the Wind. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 11.40 Late Call.

SOUTHERN

1.20 pm Southern News. 5.15 Cartoons. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 2.00 am The all-American All-Nite Show, presented by Ned Sherrin.

TYNE TEES

1.20 pm North-East News. Lookaround. 5.15 Diff'rent Strokes. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North-East News.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoons. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 11.43 News.

WESTWARD

1.20 pm Westward News. 5.12 Gus Honeybun's Birthdays. 5.15 Doctor Down Under. 6.00 Westward Diary. 7.00 Mork It W. 10.31 Westward News. 1.55 Faith for Life. 2.00 West Country Weather, shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 3.45 Calendar at Your Service. 5.15 Life Begins at 40. 6.00 Calendar. 7.00 Emmerdale Farm. (S).

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf

Capital Radio: 1548kHz, 194m & 95.8vhf

London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave.

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates. 4.32 Peter Powell. 6.30 Newsbeat. 6.31 Talkabout. 7.31 Mike Read. †9.02 Hooray for Hollywood. †9.02 The Pleasure of your Company. 9.55 Sports Desk. 10.02 John Peel (S).

RADIO 2

5.00 am News. 5.03 Ray Moore (S). 6.15 Pause for Thought. 7.32 Terry Wogan (S). 8.27 Racing. 8.45 Pause for Thought. 10.03 Susannah Simons (S). 12.03 pm David Hamilton (S). 1.45 Sports Desk. 2.03 Ed Stewart (S). 2.45, 3.45 Sports. 4.03 Much More Music (S). 4.45, 5.45 Sports. 5.55 Party Political Broadcast: Labour Party. 6.03 Bob Kilbey (S). 6.45 Sports. 8.02 Soccer Special. 9.30 Joins UHF. 9.55 Sports. 10.02 The American Way of Laughs. 11.02 Brian Matthew, Round Midnight. 12.00 News. 1.02-7.30 am American Election Special.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer (S). Telemann. 9.45 La Salle String Quartet (S). 11.10 Edinburgh International Festival 1980 (S). 12.05 pm Northern Sinfonia Orchestra (S). 1.00 News. 1.05 Six Continents. 1.25 Concert (S) part 2. 2.15 Early Classical Piano Music (S). 2.55 50 Years of the BBC Symphony Orchestra. 4.00 Settings of Verlaine (S). 4.25 Jazz (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Violin, piano recital (S). 8.05 What Books I Please. 8.30 Bach's Mass in B Minor (S). 10.25 Building on the Horizontal. 10.45 Complete Webern (S). 11.00 News. 11.05-11.15 Rossini (S).

RADIO 4

6.00 am News. 6.10 Farming. 6.25 Shipping forecast. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way. 12.55 Weather. 1.00 World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Middlemarch (S). 4.00 Kingdoms in the Sun. 4.15 The Chocolate Soldier. 4.45 Short Story. 5.00 PM News. 5.50 Shipping forecast. 5.55 Weather. 6.00 News. 6.30 Top of the Form. 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 A Touch of Genius (S). 8.20 Reversing Economic Decline. 8.50 BBC Sound Archives. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Burkiss Way (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.59 News. Countdown to the White House—report direct from New York on the U.S. Presidential Election. 12.15 am-12.23 Shipping, inshore forecasts.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.15 Holiday Scene. 10.03 Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 News. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time. House of Commons. 9.00 am-5.00 Join Radio 2.

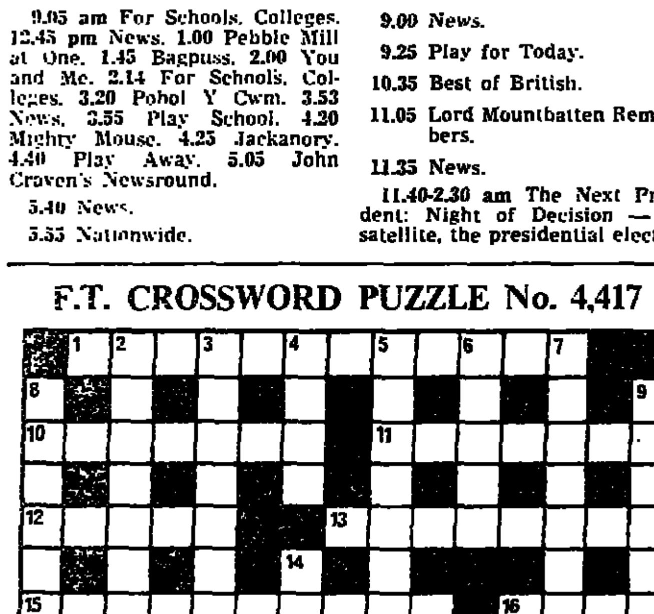
London Broadcasting

6.00 am Bob Holness and Douglas Cameron. 10.00 Jenny Lacey. 12.00, 2.00, 4.00, 6.00 LBC Reports. 8.00 After Eight. 9.00 Nightline. 12.00 LBC Reports. 1.00 am Night Extra. 4.00 After Eight Special. 5.00 Morning Music.

Capital Radio

2.00 am Duncan Johnson's Night Flight (S). 6.00 Mike Smith's Breakfast Show (S). 9.00 Michael Aspel. 12.00 Graham Dene (S). 3.00 pm Roger Scott (S). 7.00 London Tonight with Bryan Wolfe (S). 9.00 Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 am John Sachs's Night Flight

F.T. CROSSWORD PUZZLE No. 4,417



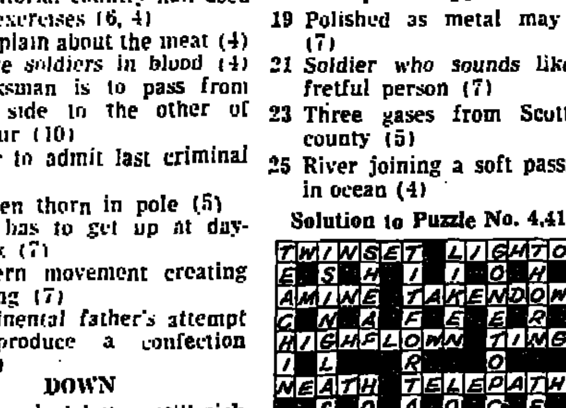
ACROSS

1 Write down the description of this clue to deceive (3, 3, 6)
10 The very devil of a match (7)
11 Love underground store of optics (7)
12 Engineers in atmosphere that could be drier (5)
13 Moves slowly around thoroughfare on one side (8)
15 Equatorial country hall used for exercises (6, 4)
16 Complain about the meat (4)
18 Leave soldiers in blood (4)
20 Marksman is to pass from one side to the other of arbour (10)
22 Offer to admit last criminal (8)
24 Broken thorn in pole (5)
26 Star has to get up at daybreak (7)
27 Eastern movement creating feeling (7)
28 Continental father's attempt to produce a confection (6, 6)

DOWN

2 Not smoked but is still sick (7)
3 Chinaman not on holiday (3-5)
4 Audio receiver left by nobleman (4)
5 Note noisy outbreak in downpour (10)
6 Order going to the south-east for fat (5)
7 Furious about learner appearing in rescue (7)
8 What furniture removers may be doing in part of bank (8-5)
9 Metallic distant object may be just a trifle (5, 8)
14 Want marks put around unusual scene (10)
17 Leaves a group of musicians on top of stage (8)
19 Polished as metal may be (7)
21 Soldier who sounds like a fretful person (7)
23 Three gases from Scottish county (5)
25 River joining a soft passage in ocean (4)

Solution to Puzzle No. 4,416



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM S 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA Tonight & Sat 7.00: Arabella. Tomor & Fri 7.30: La Belle Helene. Thurs 7.30: La Boheme. 104 balcony seats avail from 10 am on day of perf.

COVENT GARDEN. 240 1066. S. (Gardencharge CC 836 6903.) 65 Amphi seats avail. for all perfs. from 10 am on day of perf. THE ROYAL OPERA Ton't & Sat 7.00 Le nozze di Figaro Fri 7.00 Otello THE ROYAL BALLET Tomor 7.30 Giselle Thur & Mon 7.30 Swan Lake.

SADLER'S WELLS THEATRE. EC1. HANDEL OPERA. 25th Anniversary. Tomor & Sat. 7.30 Esther. Fri. 7.30 Ezio. Tkts. £1-£7. Bkg. Office 837 1672/3856.7505.

THEATRES

ADELPHI. CC. 01-836 7611. Evs. at 7.30 Sat. 4.00, 7.45. Mats. Thurs. at 3.00. TONY BRITTON, CAROLINE VILLIERS, PETER BAYLISS and ANNA NEAGLE in MY FAIR LADY. Group bookings ring 01-836 7358 or 01-379 6061.

ALBERY. 836 3878. CC bkgs. 379 6565. Gp. bkgs. 379 6061 or 836 3962. Eves. 8.00. Thurs. mat. 4.30. Sat. 5.00 & 8.15. Sian Phillips Denis Lawson, Half Moon Production Rodgers & Hart's PAL JOEY.

ALDWYCH. S. 836 6404. CC 379 6233. (10-6, Sats 10-4.) Info. 836 5332. ROYAL SHAKESPEARE COMPANY Seats available Ton't. 7.30 Then eves. 7.30 Thu. Sat. mats. 2.00 FINAL PERFS JUNO AND THE PAYCOCK by Sean O'Casey. Group sales Box Office 379 6061. For RSC Prestel booking key 22023. Booking now open for special return season of NICHOLAS NICKLEBY (from 13 Nov.) RSC also at The Warehouse and Piccadilly Theatres.

AMBASSADORS. S. CC. 836 1171. Evgs. at 8.00. Mats. Sats. at 4.00. DONALD SWANN & FRANK TOPPING in SWANN WITH TOPPING. Seats £2.50, £3.50, £4.50, £5.50.

APOLLO. S. CC. 01-437 2663. Grp. sales 379 6061. Eves 8.00. Wed. 3.00. Sat. 5.00, 8.00 (Wed. mat. 5.00 from Nov. 12). RODNEY BEWES, FRANCIS MATTHEWS in MIDDLE AGE SPREAD. Comedy of the Year West End Theatre Awards.

ARTS THEATRE. 01-836 3334-2132. Mon.-Thurs., Evgs. 8.00. Fri. and Sat. 6.30 and 9.00. JOE ORTON's LOOT. Directed by KENNETH WILLIAMS.

CAMBRIDGE THEATRE. S. 01-836 6056. Credit card hotline 01-836 7040. 01-240 5679. JOAN COLLINS, SIMON WILLIAMS, JAMES VILLIERS, ELSPETH MARCH, MOYRA FRASER & MICHAEL ALDRIDGE in THE LAST OF MRS. CHEYNEY. Directed by NIGEL PATRICK. Evs. Mon.-Fri. at 8.0. Wed. 3.0. Sat. 5.0 & 8.30. Anti-inflation policy—seats at £1.50, £2.50, £4.00 in stalls and royal circle. Students, Nurses, OAPs £1.50. Group sales 379 6061 & 836 6056.

COMEDY THEATRE. S. CC. 01-930 2578. Grp. sales Box Office 379 6061. Eves. 8.00. Mat. Sat. at 5.00 CLEO LAINE as COLETTE with Kenneth Nelson and John Moffat. A story with music by John Dankworth. Last Week. Season ends Saturday.

CRITERION. 01-930 3216. CC. 379 6565. Group Bkgs. 836 3962 or 379 6061. Evgs. 8.00. Fri. and Sat. 6.00, 8.45. Robin Ray, Jonathan Adams, Martin Connor, Tricia George in TOMFOOLERY the words and music and lyrics of TOM LEHRER.

DUCHESS TH. CC. 01-836 8243. Group sales 379 6061. [illegible] 8.30. [illegible] Mat. 5.0 [illegible] MICHAEL [illegible] PRIVATE LIVES.

DUKE OF YORK'S. S. CC. 01-836 5122. Mon-Thur 8.00. [illegible] Matinee [illegible] DAVID [illegible] by Tom Kempinski.

FORTUNE. [illegible] 8.00. Sat. [illegible] in JEEVES TAKES CHARGE by P. G. WODEHOUSE.

GARRICK. [illegible] (sharp). [illegible] WILLIAM FRANKLYN in DEATHTRAP. Group Bookings 01-379 6061.

GLOBE. S. CC. 01-437 1592. [illegible] Evgs. 8.0. [illegible] Sales Box Office 379 6061. HINGE & BRACKET AT THE GLOBE. LIMITED [illegible]

GREENWICH THEATRE. S. CC. 858 7755. Preview Tomor 8.0. [illegible] evgs 8.0. [illegible] NOW. A new play by PETER BUCKMAN.

HAYMARKET. 9832. [illegible] and 8.0. [illegible] PRUNELLA SCALES in MICHAEL FRAYN'S [illegible] Directed by MICHAEL BLAKEMORE.

HER MAJESTY'S. [illegible] Evgs. 8. [illegible] Group sales [illegible] OF LONDON [illegible]

KING'S HEAD. [illegible] GOOD FUN by Victoria Wood.

LYRIC. S. [illegible] 8.00. [illegible] DINSDALE LANDEN [illegible] in ALAN AYCKBOURN'S TAKING STEPS.

LYRIC HAMMERSMITH. CC. 01-741 2311. [illegible] NATIONS [illegible] Paul Eddington [illegible] Judy Loe [illegible] LYRIC STUDIO [illegible] THE POTSDAM QUARTET [illegible] Pinner's comedy [illegible] Giles. [illegible] Today 1.15. A GALWAY GIRL.

MAYFAIR. 01-629 3037. Dec. 22-Jan. 10. Daily 10 [illegible] XMAS SHOW with MATTHEW CORBETT.

NATIONAL THEATRE. S. 928 2252. OLIVIER (open stage): Ton't Tomor 7.00 OTHELLO by Shakespeare. LYTTELTON (proscenium stage): Thurs. 7.45 low price preview THE CARETAKER by Harold Pinter. COTTESLOE (small auditorium—all tickets £3.50 Student standby £1.40): Mon. to Sat. 8.00 THE CRUCIBLE by Arthur Miller. Excellent cheap seats from 10 am day of perf all 3 theatres Car park Restaurant 928 2033. Credit card bkgs 928 5933.

OLD VIC. 928 7616. CC 261 1821. S. Evgs 7.30 mats Wed & Sat 2.00 until Sat Leicester Haymarket Theatre Co., with Margaretta Scott, Richard Easton, Polly Adams & Joyce Grant in the original 4-Act version of THE IMPORTANCE OF BEING EARNEST Mon 7.30 Peter O'Toole in MACBETH. Directed by Bryan Forbes. Toad now bkg 15 Dec to 17 Jan.

PALACE. S. CC. 01-437 6834. RODGERS & HAMMERSTEIN'S OKLAHOMA! Evgs. 7.30. Mats. Wed. and Sat. 3.00. Group Sales Box Office 01-379 6061.

PALLADIUM. 01-437 7373. Tonight at 7.30. Tues., Thurs. 8.00. Wed. Fri. & Sat. 6.10 & 9.00. The Fabulous LENA HORNE with guest stars Ted Rogers & Wall Street Crash. Nov. 10 for four days only VICTOR BORGE with guest stars GUYS 'n' DOLLS. Nov. 18-19 two days only MISS PEGGY LEE. Opens Dec. 22 for a season. Reduced price previews Dec. 15-20 JIM DAVIDSON, MOLLIE SUGDEN, WINDSOR DAVIES, MELVYN HAYES, CLIVE DUNN, LIONEL BLAIR in DICK WHITTINGTON. Book now. Box Office and all agents. Credit cards accepted.

PICCADILLY. S. 437 4506. CC bookings. 379 6565. Mon.-Thurs. 8. Fri. and Sat. 6 and 8.40. Stalls from £2.90. ROYAL SHAKESPEARE COMPANY in Willy Russell's new comedy EDUCATING RITA RSC also at Aldwych Warehouse.

PRINCE EDWARD. CC. 01-437 6877. Evgs. 8.0. Mats. Thurs. and Sat. 3.00. EVITA by Tim Rice and Andrew Lloyd-Webber. Directed by Harold Prince. Group sales box office 379 6061. Seats available for matinee performances.

PRINCE OF WALES THEATRE. 930 8681. Credit card bookings 930 0846. An evening with TOMMY STEELE and his company. Eves. Mon., Thurs. 8.30. Fri. and Sat. 6.00 and 8.30. Book Now. Last four weeks. From December 5 PAUL DANIELS.

QUEEN'S. CC. 01-734 1166. Eves. 8.00. Sat. 4.30 and 8.00. Tom Courtenay, Freddie Jones THE DRESSER. The new play by Ronald Harwood. Directed by Michael Elliott.

RAYMOND REVUEBAR. CC. 01-734 1593 At 7.00, 9.00, 11.00 pm. Open Suns. PAUL RAYMOND presents THE FESTIVAL OF EROTICA. New acts, new Girls, New Thrills. 23rd sensational year. Fully air cond.

ROYAL COURT. S. CC. 730 1745. SUGAR AND SPICE by Nigel Williams. Evgs. 8. Mon. all seats £2.

ROYAL COURT THEATRE UPSTAIRS. 730 2554. MY DINNER WITH ANDRE by Wallace Shawn & Andre Gregory. Directed by Louis Malle. Tonight 7.30. Opens Tomor 7. Sub Evgs 7.30. Five Perfs only.

SAVOY THEATRE. 01-836 8888. JOHN ALDERTON, PAULINE COLLINS in Charles Dyer's comedy RATTLE OF A SIMPLE MAN. Evgs. Mon.-Thurs. at 8.00. Fri. and Sat. 5.45 and 8.45. [illegible] 839 3092. [illegible] 8118.

SHAFTESBURY. [illegible] Ave., WC2. [illegible] 01-836 [illegible] GEMMA [illegible] OUR SONG [illegible] days in [illegible] and cheque. [illegible] £8.00. [illegible] 8.0. Mats. [illegible] Credit card [illegible] 30-6.30).

SHAW. [illegible] 7.30. THE [illegible] Low prices.

ST. GEORGE'S [illegible] Tufnell Park. [illegible] 8. Tonight [illegible] urs, Fri & [illegible]

ST. MARTIN'S. [illegible] Evgs. 8. [illegible] 5 and 8. [illegible] MOUSETRAP. [illegible] th year.

STRAND. [illegible] ings 8.00. [illegible] IN THE [illegible] E—WE'RE [illegible] Davis.

STRATFORD-UPON-AVON. [illegible] Royal Shakespeare [illegible] 71. Ames [illegible] (07489) [illegible] ARE COMPANY [illegible] RICHARD [illegible] 7 (7.30). [illegible] MEO AND [illegible]

TALK OF THE TOWN. [illegible] 34 5051. [illegible] CREDIT CARDS. [illegible] HT OUT. [illegible] cing 9.30. [illegible] in cabaret [illegible] till 1 am.

THEATRE ROYAL, Drury Lane. [illegible] 836 8108. [illegible] Hancock. [illegible] Musical. [illegible] Evs. 7.30. [illegible] Seats [illegible] ox Office [illegible] ember 15.

VAUDEVILLE. [illegible] Mon. to [illegible] and 8.15. [illegible] BLAKELY [illegible] BENNETT

VICTORIA PALACE. [illegible] 8 4735-6. [illegible] Mat. Wed. [illegible] 2.45 on [illegible] NNIE with [illegible] box office

THEATRES

WAREHOUSE. Donmar Theatre, Earlham Street, Covent Garden. Box Office 836 6808. ROYAL SHAKESPEARE COMPANY. FINAL PERFS Ton't., Tomor. 7.30 NO LIMITS TO LOVE by David Mercer. All seats £3.50. Student £2.00 in advance from Aldwych Box Office.

WESTMINSTER. S. CC. 01-834 0283. Fourth London Season Nov. 18-Jan. 10 THE GINGERBREAD MAN.

WHITEHALL THEATRE. 01-930 7765. CC. Paul Raymond presents FIONA RICHMOND and a Bedful of Beauties in WOT! NO PYJAMAS. Evgs. 8.30. Fri., Sat. 6.15 and 8.30. Over 200 perfs.

WINDMILL CC. 01-437 6312. Twice nightly at 8.00 and 10.00. Suns 6.00 and 8.00. Paul Raymond presents RIP OFF! Hotter than ever for 1980. The erotic experience of the modern era. Fifth great year.

WYNDHAM'S. S. 01-836 3028. CC bkgs. 379 6565. Mon.-Fri. 8. Sat. 6 and 8.40. Dario Fo's farce ACCIDENTAL DEATH OF AN ANARCHIST.

YOUNG VIC. 928 6363. Eves. 7.30 (last perf.) Ton't. Tomor. Thur. Shakespeare's LEAR. Fri. Sat. Kafka's THE TRIAL. From 11 Nov Michael Hasting's GLOO JOO.

CINEMAS

ABC 1 & 2, SHAFTESBURY AVE. 836 8861. Sep. perf's ALL SEATS BKBLE. 1: APOCALYPSE NOW (X) 70 mm Wk. & Sun. 1.30, 4.40, 7.55. 2: THE ELEPHANT MAN (AA). Wk. & Sun. 1.30, 4.45, 8.00.

CLASSIC ENTERTAINMENT
Teledata 01-200 0200

CLASSIC 1, 2, 3, Haymarket (Piccadilly Circus Tube). 01-839 1527. 1: Walt Disney's SNOW WHITE & THE SEVEN DWARFS (U). Progs. 12.20 (not Sun.), 2.40, 5.15, 7.55. 2: BREAKER MORANT (A). Progs. 1.10 (not Sun.), 3.00, 5.35, 8.10. 3: LAST 2 DAYS! THE BIG RED ONE (AA in Dolby Stereo). Progs. 1.05 (not Sun.), 3.30, 5.55, 8.20.

CLASSIC 1, 2, 3, 4, 5, Oxford St. (01-636 0310) (opp. Tottenham Ct. Rd. Tube) Fully air conditioned. 1: DRESSED to KILL (X). Progs. 1.20, 3.30, 5.40, 8.00. 2: Dudley Moore WHOLLY MOSES (AA). Progs. 1.20, 3.30, 5.50, 8.10. 3: LAST 2 DAYS! THE BIG BRAWL (AA). Progs 1.25, 3.30, 5.35, 8.40. 4: LAST 2 DAYS! THE HUNTER (AA). Progs. 1.10, 3.35, 6.00, 8.30. 5: AIRPLANE! (A). Progs. 1.00, 3.00, 5.00, 7.00, 9.00.

CLASSIC, Leicester Square. 01-930 6915. CRUISING (X). 1.45 (not Sun.), 5.20, 8.55. EVICTORS (X). 3.30, 7.05.

CURZON, Curzon Street, W1. 499 3737. Bertrand Tavernier's UNE SEMAINE DE VACANCES (AA). (English sub-titles). Progs 2.00 (not Sun.) 4.05, 6.20, 8.40.

ODEON HAYMARKET. (930 2738-2771). Roy Scheider in a Bob Fosse film ALL THAT JAZZ (X). Sep. Progs. dly. 1.30 (not Sun.) 4.40, 8.0. Late night show Fri. & Sat. 11.20.

ODEON LEICESTER SQUARE (930 6111). In 70mm! THE BLUE LAGOON (AA). Sep. progs. dly. Doors open 1.30, 4.30, 7.45. "The Blue Lagoon" starts at 2.20, 5.40, 8.50.

ODEON MARBLE ARCH W2 (723 2011-2) DRESSED TO KILL (X). Sep. progs. Drs. open dly 1.15, 4.15, 7.30. Evening Programmes & Weekends May Be Booked In Advance.

PRINCE CHARLES, Leic. Sq. 437 8181. British Premiere Exclusive Presentation CALIGULA (X). Sep. perfs. dly. (inc. Sun.) 11.00, 2.15, 5.30, 8.45. Late show nightly 11.55. Seats bkble. Lic'd bar.

STUDIO 2 & 3, Oxford Circus. 437 3300. Lic'd Bar. 2: THE SHINING (X). Progs. 1.05, 3.30, 5.55. Late show Sat. 11.00. 3: THE DEER HUNTER (X). 12.45, 4.05, 7.30. Late show Sat. 10.50.

ART GALLERIES

AGNEW GALLERY, 43 Old Bond St., W1. 629 6176. Autumn Exhibition of Old Master Paintings and Drawings. Until 12 Dec. Mon.-Fri. 9.30-5.30. Thurs. until 7.

BROWSE & DARBY, 19, Cork Street. ANTHONY AMIES and PETER FROLIC. Weekdays 10-5.30. Sats. 10-12.30.

FIELDBORNE GALLERIES, 63, Queens Grove, NW8. 586 3600. JESSE ZIERLER —Fragments of Scripture.

IVOR BRAKA, 34 Pont St., SW1. 01-581 2966. Stanley Spencer, Matthew Smith, Paul Nash, Alfred Wallis and other 20th Century British Artists. By appt. only.

LEFEVRE GALLERY, 30, Bruton St., W1. 01-493 1572-3. An Exhibition of RECENT PAINTINGS by TRISTRAM HILLIER, RA. Mon.-Fri. 10-5. Sats. 10-1.

MAAS. The Victorian Venus, an exhibition of paintings and watercolours by William Edward Frost, RA. Mon.-Fri. 10-5 at 15a Clifford Street, New Bond Street, W1. Until 14 Nov.

MARLBOROUGH, 6, Albemarle St., W1. R. B. KITAJ, Pastels & Drawings. Until Nov. 7. Mon.-Fri. 10-5.30. Sat. 10-12.30.

MATHAF GALLERY, 24, Motcomb Street, London, SW1. 235 0010. Specialists in 19th C. and Contemporary paintings of ARABIA.

RICHARD GREEN GALLERY, 44 Dover Street, W.1. 01-491 3277. ANNUAL EXHIBITION OF SPORTING PAINTINGS. Daily 10.00-6.00. Sats. 10.00-12.30. Closes November 8.

THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W1. Exhibition of Old Marine, Military and Sporting and Topographical Prints and Paintings of Ships.

THE ARTS

San Francisco Opera

Samson, Frau, Simone

by ANDREW PORTER

The San Francisco Opera season is short. Even lengthened as it is now that the San Francisco Symphony has moved out to its own home, it runs only three months. But during those three months, 12 operas (*Cav* and *Pag* on a double bill) are being performed. Kurt Herbert Adler, the Intendant, combines advantages of repertory and *stagione*, and his slew of associate troupes in all sizes, busy all the year round — Western Spring Opera, Western Opera Theater, etc. — enrich the repertory, provide continuity, and bring forward young singers who can move from leading roles with the smaller companies, by way of comprimario roles in the grand season, to international stardom. Each San Francisco production has a certain "festival" quality, and even at the worst of them I've never been bored as at the Met, with its long season —by a sense of a routine revival slung on because the schedule required it.

The San Francisco season opened with a new *Samson et Dalila*, an opera that lives on in this country as a vehicle for star mezzos and tenors. The décor—sets by Douglas Schmidt, costumes by Carrie Robbins—were after Alma-Tadema. The production was by Nicholas Joël, a Ponnelle and Chéreau protégé. Julius Rudel conducted. The effect was light, pretty, and not very serious. I rather feel that if *Samson* is going to be done at all, it had better be done more seriously, more fervently.

Shirley Verrett was the Delilah. Ten years ago, at La Scala, she lacked the strong deeper notes of the role. Since then, she has screwed her voice up for Norma and Tosca, then dropped it back for Azucena and Orpheus, and in *Samson* that voice was, to put it bluntly, a mess. The chest was forced; the middle was unsupported and often tremulous; only a few shining high notes remained to recall the former lustre. Her acting was as tense and electric as ever, and she looked stunning. Placido Domingo sang Samson. He was in fine, full voice, but everything was loud. Wolfgang Brendel, the High Priest, had the sharpest declamation—and the worst French. In the minor roles, the grave, beautiful bass of Kevin Langan, as the Old Hebrew, was outstanding.

Then a revival of *Die Frau ohne Schatten*, in the Nikolaus Lehnhoff-Jörg Zimmermann production which Max Loppert described in these pages recently from Paris. It had its premiere in Paris in 1972, and then was taken up by several European houses, and by San Francisco in 1976. Adler's cast was a strong hand dealt from the international *Frau* pack. Leonie Rysanek, reigning Empress for more than a quarter of a century, is still radiant in the role. In her performance the sensuous beauty, the sentiment, and the spiritual ambition of the opera are revealed. Birgit Nilsson was the Dyer's Wife. She took up the role when the Lehnhoff-Zimmermann production reached Stockholm, five years ago; she attacks it with relish, in a vulgar and obvious way. James King was as stolidly reliable as Emperor and Ruth Hesse was as ill-voiced and approximate a Nurse as ever. Geld Feldhoff's Barak was firmly voiced but one-dimensional. Berislav Klobucar's conducting had colour and pace but too little bewitching detail.

Then *Simon Boccanegra*—a revival in the Chicago 1974 décor by Pier Luigi Pizzi which was so destructive of Verdi's drama that it prompted the foundation of American Institute for Verdi Studies, one of whose aims is to offer performers a clearer idea of what Verdi's operas are about. To detail the ways in Pizzi's decor and Sonja Frisell's production lessen the impact of the piece and, in the composer's own words, "ruin" the intended effect of his music would be tedious; any contemporary opera-goer can, alas, imagine them. The Verdi production books are not straitjackets any more than the scores are. The one for *Simone* clearly states that, once the notes and the basic, essential "blocking" have been mastered, interpretation should — and must—begin.

Renato Bruson sang the title role with beauty but was not the "supremely intelligent actor" Verdi called for; he needs inspiring "production" of the right sort—and not the wrong moves Miss Frisell imposed on him: Demon King attitudes at the end of the Council scene (in fancy lighting) and a spectacular open-stage death fall at the end. Margaret Price was a fine Amelia.

Is there anyone else around today who can compass the Verdi spinto roles securely? *O tempora!* Renata Scotto squeals and screams at climaxes; Katia Ricciarelli tries, with incomplete vocal resources; Mirella Freni is delicate but small-scale. Raina Kabaiwanska? Teresa Zylis-Gara? Kiri Te Kanawa? Over here, we have Carol Vaness growing towards them.

Cesare Siepi was still a noble, moving Fiesco. Giorgio Lamberti's Gabriele was bright in sound but provincial in style. Lamberto Gardelli's conducting was masterly, though there were passages where more "give," a greater readiness to stretch phrases, would have been welcome. Anyone who thinks that Verdi's music must be conducted in strict tempo should examine the *Forza* score he himself conducted from in Madrid, where all the "traditional" broadenings and "holds" are confirmed by the pencilled-in squiggles.

Shirley Verrett

Royal Academy

British art now: an American view

by WILLIAM PACKER

Though we might not always care to own as much, for we are quite as chauvinist a nation as any, we do live in the wider world and have our part to play in its business, in Art as in any other humane activity. How we are seen by others in the performance is a great thing to know, of course, though tantalisingly hard to fix: an image in mirrors disposed by other's hands. All the time, the British Council is sending abroad exhibitions of British Art of all kinds, and quite rightly so, but no view is ever entirely objective, least of all the view of ourselves which we actively choose to have published. To let someone else do the choosing for us is an opportunity not always available, and quite likely in the event to be disturbing rather than re-assuring, but refreshing and stimulating too, and to the point. As we step out of the cold shower, we cannot think why we don't have one more often.

But if we are guilty of indulging our cosy insularity, we are not the only ones to fall; and if the American view of the rest of the world is inclined to be somewhat distant and blithely unfocused, that of the New Yorker is notoriously myopic. His city is indeed one of the great cultural centres of modern times; but the view from the East Side to the West does not embrace the extent of the civilised world. The Guggenheim Museum, however, one of the major international institutions of Modern Art, to its great credit, over many years and in many ways, has tried to supply its own remedy.

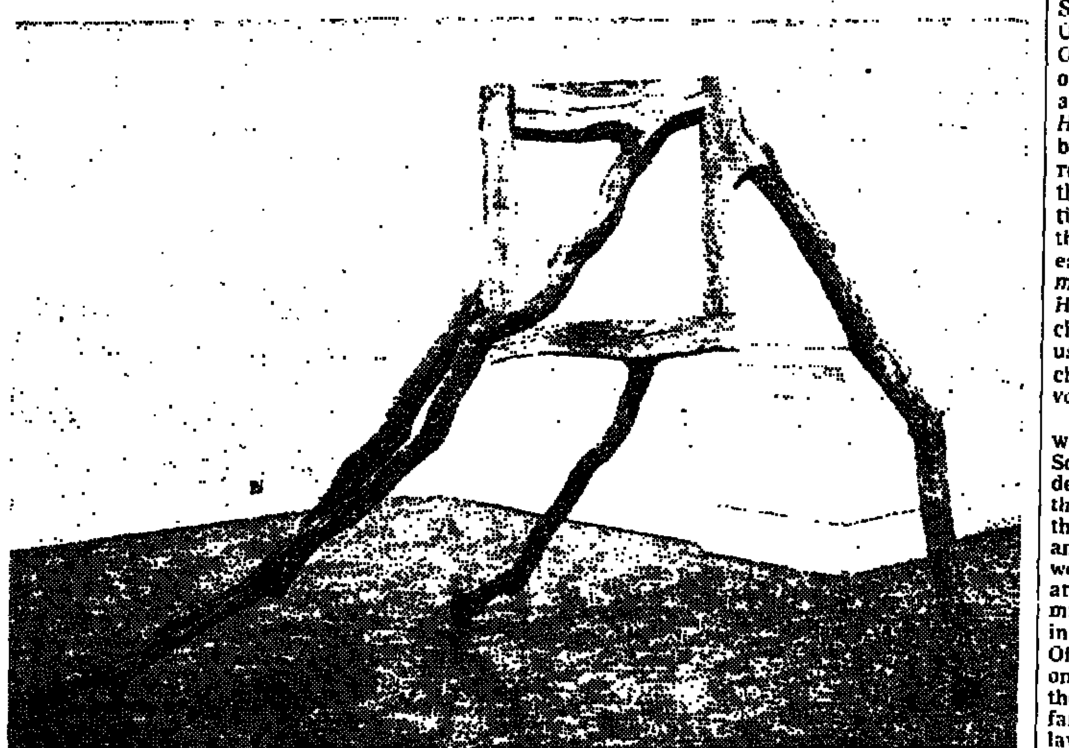
"British Art Now: An American Perspective," the exhibition it brought to New York early this year, was the latest such exercise, the first in a projected sequence of select international shows. The particular choice of artists in fact fell to Diane Waldman, the Museum's Curator of Exhibitions, who came to this country, had her card marked by a wide variety of tipsters and interested parties, toured with extraordinary energy and conspicuous thoroughness, weighed up the form as she saw it, and only then did she take her pick. She would not claim, I know, that hers was thus, or was even intended to be, a definitive selection, the last word of British Art at the turn of the decade — we are too well off, in the number, the variety and the quality of our artists, for that. Rather she was saying, I think: these are a few of the artists whose work Americans should particularly come to know.

So it turns out that for her *British Art Now* means the work of only eight artists, three apiece to painting and sculpture and two others less easily accommodated, all of them middling young to middling. If we feel that her choice is not ours, the names for the most part over-familiar, almost establishment, we rather miss the point of the whole thing. For Mrs. Waldham may be many things in the international Art world, but she is not English; and it is precisely because her particular judgment, and most critical and discerning eye, fixed upon these and not those, that we in our turn might care at last to re-examine some of our own well-tended prejudices — artist *a* might actually deserve the support he has already enjoyed *b* might well have been too thoughtlessly disregarded, *c* might even be rather good.

The other point that should be acknowledged is that Mrs. Waldman evidently made her decision not on grounds of novelty or experiment or innovation, but of quality: and so, though the work is distinctive enough in each case, and we must hope refreshing to sensibilities not innured to the English cultural weather, the show contains nothing outré, nor even particularly difficult, to anyone at all informed of the development of the visual arts since the War. Such information, unfortunately, though commonplace abroad (indeed in New York the safeness of the work was, I believe, an issue of criticism), cannot be assumed for the educated English visitor to exhibitions; which makes *this* the more valuable here, and its commercial sponsorship more commendable.

The Art of our own time is the interest we must pay on the Art of the past, or the account is closed; and Art cannot thrive, has never done so, without patronage of some kind. The Americans seem to take the point, and this exhibition, though actively supported by the British Council, was made possible by the sponsorship of the Exxon Corporation in America, which extended to the purchase of work from each of the artists. Esso Petroleum, the Corporation's British affiliate, has now brought the show, substantially recast through the inclusion of more recent work, to the Royal Academy in London, where it remains until December 14.

The artists themselves comprise no group, no school: each stands only for himself. But they have all grown up in the same cultural climate, and sit together easily; and collectively they do say a great deal, even if in an undertone, about the personal interests and pre-occupations, and the underlying sensibility of the selector who so brought them together. There is no figuration but what is innate, as in the work that uses photography as its medium: the progressive distortions of space and form in the portraits and landscapes of Simon Read, and the wry vistas of Tim Head. And Keith Milow, in his relief sculptures, uses the Cenotaph as his particular reference, and though its potent social symbolism cannot be drained off altogether, it is itself an abstract architectural image, and is disposed formally, split in half and up-ended, the parts facing each other across a gap like blunt missiles.



"Flying Frame" by David Nash

All the sculpture is simple in statement and material, complex only in the contemplation, and curiously yet thoroughly Romantic — a characterisation which indeed embraces the entire show. David Nash, with his familiar wooden blocks and tripods, is as witty and deft as ever, but it now more substantial and impressive an artist, his work now far less whimsical and arbitary than it was, and much more achieved. Nicholas Pope continues to invest his deceptively unpreposing and crudely-worked lumps and boulders with his odd, poetic authority.

The three painters, too, are palpable Romantics: John Edwards an authentic abstract expressionist: Hugh O'Donnell somewhat more decoratively and ebulliently so: and Alan Green, whose apparently bare, bald fields of colour strangely reverse the process of the Cheshire Cat, growing richer and more substantial, revealing their subtleties and secrets to the patient eye.

The disappointments of the show are in a sense privileged, for they stem for me from the knowledge I have of the work of all the artists, and in one or two cases the work shown is not quite the strongest. John Edwards, from a resolved position, has now moved into a transitionary phase, and good luck to his progress—but the best work has yet to come from it. I do wish Tim Head had been able to show one of his magic projected installations, of the kind he showed to Venice in the summer, dissolving physical material, distorting space, teasing and testing perception. But these are minor quarrels, for the work is serious and deserves respect.

It all needs time, however, for it is clear that Mrs. Waldman requires of Art that it should speak as much to mind as to feeling, belabouring neither. Her exhibition will disappoint many people who would never dream of demanding instant experience from music or literature, but from arrogance, ignorance, or mere impatience, expect painting and sculpture to cough up on the spot. Such people are, of course, quite wrong, and the poorer for it. This little show, in its own good time, reveals itself to be a distinguished and enightened enterprise, reflecting great credit on al concerned with it, on Mrs. Waldman and her artists most of all.

Elizabeth Hall

Offenbach

Three Offenbach one-acters, rarities in London, were brought to South Bank on Sunday by Welsh National Opera under the banner of the Offenbach 1980 committee. Two of them, *The Song of Fortunio* and *Monsieur Choufleuri's At Home* were staged and toured by WNO last season, and reviewed here at the time. For this occasion there was an addition to the bill of *Ba-Ta-Clan*, the "chinoiserie" from the early days in which at one moment phrases from *Les Huguenots* (to be precise, the chorale "Ein Fester Burg" as used in that opera) are set cheek-by-jowl with Offenbach's version of "Cheinese" ethnic.

The squib is short, slight but with plenty of vitality still. Some pages have the grace and delicacy which so well set off the musical clowning. Even in the clowning the touch is light and swift. All three works were wisely done without any attempt at semi-staging. The music worked perfectly easily in surroundings as unlike Offenbach's Paris theatres as one could imagine. In *Fortunio* there was a pleasing touch of fantasy in the four young lawyers' clerks, written as travesti roles and sung by young ladies in long dresses, while the cook Babette was a baritone in evening dress.

Julian Smith conducted, with a dry but not unsympathetic exactness better suited to Offenbach than semaphore and schmaltz. The small orchestra (from WNO) was probably about the size Offenbach would have had for these pieces. Mr. Smith was also credited with the orchestrations, stylishly transparent (the transparency betrayed some flagging intonation too). Meryl Drower, Maldwyn Davies and Julian Moyle took the soprano, tenor and baritone leads in each piece. They did not flag, even in the demanding parodies of *Monsieur Choufleuri*.

Timothy German, Ralph Mason and other talented company members too numerous to mention were also involved. By rights this agreeable evening should remind opera and TV companies of the amount of vastly enjoyable music lying dormant in Offenbach's 50 or so shorter stage works. The public's senseless prejudice (with two notorious exceptions) against one-acters must surely crumble one day.

RONALD CRICHTON

Wigmore Hall

Gary Karr

The good natured enjoyment and extrovert character of Gary Karr's playing conspire to hide his extraordinary technical gifts. No other contemporary performer has done so much to extend the range of the double-bass, or to encourage a high standard of playing.

On Sunday evening, his Wigmore Hall recital drew a large audience ready to laugh with the soloist's sly jokes and marvel at the bronchial, cello-ish tone of his 1611 Amati. It is a tribute to his technique that the physical effort the bass demands was entirely concealed. The key to the clarity and variety of Karr's sound seems to be the suppleness of his bowing, enormously free and relaxed, a far cry from the bulky, pressured attack most orchestral players get by on.

Lyricism is Karr's strong suit. A Bach Arioso (transcribed from Cantata No. 156 via the slow movement of the F minor *Harpsichord Concerto*) and Schumann's Three Romances, Op 94, displayed his calm, even flow of tone. In both works the subtle colours and inflections of the line transcended the medium—superior musicianship on every level. Elsewhere, Karr's fast playing was clean but not as characterful. His instrument's gruffer tones should have been ideal in Beethoven's Cello Sonata Op. 102 No. 2. Indeed, the bass virtuoso Dragonetti performed this piece with the composer in 1799. But despite Karr's obvious agility, the music's sense of forward motion was compromised, and only the central Adagio emerged as a coherent whole.

Good music written expressly for this instrument is a bit thin on the ground, so Bottesini's Reverie and Tarantella, an operatic confection of some charm, and Tom Johnson's *Failing*, a new work by a young New Yorker, were especially welcome. Johnson's piece is a devastating, theatrical look at the problems of performing new music, and deserves to be in any brave bassist's repertoire.

RICHARD JOSEPH

Planetarium

Laserock—2

Laser as the servant of art has yet to make much progress but a simple use of the idea can now be comfortably seen at the Planetarium where a one-watt krypton gas laser is exploited to produce spasms of red, green, blue and yellow beams careering around the darkened heavens of the auditorium. In itself this would be little more than a concentrated firework show but the senses are enlivened with some very loud rock music.

This was naturally a Californian idea which has been experienced at the Planetarium since the summer of 1977. This new production is much better than its predecessors: there is more imagination in the laser images, some taped, some spontaneous, and the music is a great improvement, louder, more British, and better matched to the laser show.

Pink Floyd turn up twice, of course, but the more out and out head shakers like "Red from Samy Hagar and Led Zeppelin's "Rock'n 'Roll" make the greatest impact. "Walking on the moon" from the Police is also a bit too obvious, but "I'm not in love" from 10CC is given a suitably dreamy pattern and The Pretenders come out well with "The wait." Of course heightened senses would probably add a great deal to the enjoyment but this sedentary, if perhaps too long trip, would seem to make a teenagers holiday treat.

ANTONY THORNCROFT

'Standby' concession for unemployed

The London Contemporary Lance Theatre is to offer a "standby" concession to unemployed people during its Sadler's Wells season beginning on November 18. Any seats available an hour before curtain-up will be £2—the top price is normally £6.

Round House

Coe/Delmé

by PAUL DRIVER

Sunday's Contemporary Music Network presentation — the third of five being launched at the Round House before traveling the provinces — was an avowed exercise in 'delabelling. Some of the most refined and classically precise music of the century—Schoenberg's *Six Little Piano Pieces*, Berg's op. 3 String Quartet—found itself quietly lodged between semi-improvised jazz creations by Tony Coe and Robert Cornford. To be sure, the jazz had a notably refined quality, predominantly subdued, rarely explosive; and the composers had cleaved mainly to conventional notation. The biggest item, Coe's *The Buds of Time*, blending the Delmé Quartet with the Tony Coe Ensemble and requiring a conductor, made use of a strictly delimited improvisation which the composer even insists is 'not jazz.'

Yet one's first response, as the graphic charm of Coe's *The Jolly Corner* (after Henry James) and its boisterously wheeling C clarinet solos gave place to Antony Pay's immaculate declamation of the three Stravinsky clarinet pieces, was that the concert could only be a demonstration of relabelling; that there is no infringing upon a world of absolute musical statement. With a duration only a fifth of Coe's, the Stravinsky pieces had at least three times the expressive range; points were made succintly and unanswerably. Perhaps the virtue of jazz (free or strict) is just that its musical propositions always can be answered; at any rate, it is no use expecting brevity. Improvisatione are bound to take their time.

So in the present context the Schoenberg piano pieces (beautifully played by Robert Cornford) had never so readily disclosed their unique essences or seemed less like the small change of the repertoire. That Berg's op. 3 in the Delme's reading did not stand out as vividly was due partly to an unsympathetic acoustic and partly to the sheer difficulty of projecting in any circumstances its complexly stretched-out canvas of microscopically detailed ideas. (Fancifully, one could visualise the young Berg here parting company with the young Webern.)

I found Robert Cornford's 2 x *Music for Three* extremely attractive, unusually airborne jazz studies. The trio (piano, Mr. Cornford; saxophone, Tony Coe; bass, Chris Laurence) dispenses with percussion and has some delightfully ethereal effects when, for instance, right-hand piano melody is twined round high bass melody (saxophone tacet), and the piano's glancing left hand supplies the only bass-line. *The Buds of Time* is a well-constructed (indeed a somewhat constructivistic) synthesis of jazz-derived and chamber music styles. Its final tutti—with string quartet scraping away on a never-to-be-resolved harmonic suspension—had an oil-and-water texture which rather too aptly symbolised the whole occasion.

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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The dangers of over-pricing

IT SEEMS paradoxical that in the only major Western country which is self-sufficient in energy, the Government should be discouraging the development of energy-intensive industries. *But many industrialists* in Britain believe that this is precisely the result of misconceived Government policies on energy pricing, which make it *extremely difficult for large* energy users to compete with their Continental rivals.

If, in its long-awaited analysis of international energy costs, the Confederation of British Industry succeeds in justifying its *preliminary findings*—*that* energy prices paid by British industrialists are substantially higher than those paid in most other countries—then it will *not be good enough* for Ministers simply to shrug their shoulders and repeat their homilies about the sanctity of market-determined prices. For energy prices are not *purely* market-determined either in Britain or in other countries.

Unconvincing

In the case of fuel oil, which is subject to an excise duty of £8 a tonne, the Government's role in price setting is explicit. But it is the fuels produced by Britain's nationalised industries—most importantly gas and electricity—which are, apparently causing industry greatest hardship and generating the deepest resentment. The Government's attempts to put the whole responsibility for these industries' rapid price increases on to "excessive pay increases" and "uneconomic pricing" under previous governments have been unconvincing.

The fact is that the Government has chosen, as a deliberate act of policy, to increase the financial demands it makes on *the nationalised energy industries*. This made it inevitable that their prices would rise rapidly in the current year. Whether they go on rising in *real terms next year and thereafter* depends largely on the external financing targets which the Government decides to set for them. Because of their *monopoly positions, the gas and* electricity industries would be capable of producing more or less any financial result that the Government might require, *simply by raising or lowering* prices, with little regard to market forces.

Thus if, for example, Britain's chemical companies are now paying roughly one quarter more for their energy than their French and German competitors, as a study conducted by the Chemical Industries Association is believed to show, the Government must, at the very least, acknowledge that this is a consequence of its own policies.

Ministers must then consider the economic justifications of *the financial targets and* cash limits which they set for the energy industries. If, as many industrialists suspect, the financial targets set for the gas and electiricity industries in particular are motivated mainly by the Government's desire to reduce the Public Sector Borrowing Requirement by using these industries' cash flows as a substitute for other borrowings or revenues, then Ministers *should think again*. Raising energy prices above world market levels may be more convenient politically than increasing taxes, but the economic effects can be *much* more damaging.

The Government could, however, produce a persuasive case for retaining the medium term targets which it announced in January for the gas and electricity industries. These require a real return of 1.8 per cent on current cost assets from the electricity industry and 9 per cent from the gas industry. In the context of a moderately healthy economy, such objectives would be reasonable. The 10 per cent annual increases in real gas prices to domestic consumers entailed by the British Gas Corporation's target are, in any case, a desirable response to past under-pricing, *as the* Government has claimed.

Recession

In the case of industrial energy prices, however, the situation is quite different. It is *unreasonable to insist that* nationalised monopolies earn adequate returns on capital during a recession if this occurs at the expense of private industries *which are exposed directly* to the hardship of falling demand and market competition. If it can be shown that other countries manage their *energy utilities in such a way* as to put more of the burden of running costs on domestic consumers and more of the burden of financing one the *bond markets, leaving less to be* borne by industrialists, then these would be options which the Government might do well to consider.

Mr. Seaga's priority

THE JAMAICAN electorate last week demonstrated its dissatisfaction with Prime Minister Michael Manley and the social democratic *policies of his* Peoples' National Party in the most uncompromising way. At last Thursday's election his eight-year rule was cut short. The conservative *Mr. Edward* Seaga and his Jamaica Labour Party were returned to office with all but nine of the 60 seats in the lower house.

The first and perhaps the most important deduction to be made from this fact is that, despite the worst forebodings of the prophets of doom, the island, like much of the rest of the Commonwealth Caribbean, is a functioning pluralistic democracy. The people's will, as expressed in the ballot box, is still paramount. Jamaica is therefore an example to other *countries of the region*, from Cuba in the north to Guyana in the south, where effective democracy is non-existent or gravely ailing.

Inadequate

The second deduction is that Mr. Manley had lost the support of the electorate and Mr. Seaga gained it to a much greater extent than even the most expert political forecasters had suspected.

The roots of Mr. Manley's failure are *not* far to seek. In *the first instance, the policies* he followed were inadequate to meet the very severe external challenges that he faced. From 1973 on Jamaica was hard hit by the spiralling world price of energy, and Mr. Manley was *unequal to the admittedly enormous task of* attracting the funds which would have enabled the island to meet its huge new oil bills. He alienated successive U.S. Administrations and the International Monetary Fund, *all of whom, it must be said*, were more than ready to be critical of him. Bankers and investors would not go where the White House and the Fund feared to tread. He exacerbated his problems with Washington *and the world's bankers by an* ill-judged surrender to some of the political arguments of President Fidel Castro. At times he seemed also perverse in cultivating the bankrupt and politically fading government in Havana *at the expense of his* richer and more powerful social democratic friends in Western Europe.

On more than one occasion *he appeared to be seeking relief* from his domestic problems and ignoring the challenges at home by globetrotting in distant lands.

His victorious opponent Mr. Seaga was, as a result, able to make an effective apeal to the conservative instincts of a majority of Jamaicans who became increasingly disillusioned with the combination of economic failure, shortages of essential items and praise of Marxist-Leninist regimes in countries of which they knew *little*.

But for all his faults, and they were many, Mr. Manley remained a genuine democrat who did not deserve much of *the abuse that was heaped upon* him by his domestic opponents or many foreign commentators. When the present election hysteria has died away the out*going Prime Minister will be* seen to have increased in stature for his not inconsiderable social achievements in office and for the democratic way in *which he gave power over to* his opponent.

Law and order

The incoming Prime Minister faces a difficult task as he tries to right a perilous economic situation, correct a serious breakdown of law and order which claimed 59 lives last week alone and satisfy the eager anticipation of Jamaicans for better times. He can count on as much support from the U.S. Administration, the IMF and foreign bankers as his predecessor encountered suspicion. But Jamaica can scarcely count on a fall in its oil import bill or a jump in the revenues it receives for its bauxite or tropical products. After weeks during which *scenes of violence* in Jamaica have been shown on the world's television screens the tourist trade must take some time to recover.

Mr. Seaga can, however, rely on the good wishes of the mass *of Jamaicans* if he takes bold steps to halt the killing. Though he did not mention law and order when he assumed office on Saturday he is obliged to make pacification and reconciliation his principal and *urgent priority*.

INSIDE THE LABOUR PARTY: THE UNIONS

The sleeping giant awakes to the reality of power

By Christian Tyler

Terry Kirk

Unity at the TUC conference in Brighton this year. Today sees the first ballot in the Labour Party leadership contest. Britain's unions, half of whom are affiliated to the party, do not agree on who should win. But they are determined to halt the party's decline. In the past they have kept out of internal party politics, but they have a lot of power at their disposal and the signs are that they are now beginning to use it. Constitutional changes could give them an even greater say in the future.

A LABOUR Euro-MP last week angrily described the Yorkshire miners' activity in mining constituencies as "entryism." In the light of the historical bond between the Labour Party and the trade union movement *it was*, to say the least, a curious term to use. But that one section of the party should use such epithets about another is a reflection of how rattled the *Labour Right* has become.

As individual membership of the Labour Party has declined, so the party's dependence on the trade unions, for membership income, for electioneering support and for lumps of emergency cash, has increased.

Such dependence has been the cause of some embarrass*ment to Labour politicians*, even on the left wing of the party, who feel their independence is threatened. It has been an embarrassment to trade *union leaders like Mr. David* Basnett, whose consortium of loyalist general secretaries has tried to rescue the party from its financial and organisational mess. *Until now, the unions have* genuinely tried to support the party without using their financial muscle to dictate the behaviour of MPs, the national *executive, or the leadership*.

But the mood appears to be changing. At national level, the general secretaries have rediscovered a fundamental identity of interest, however much their unions' traditional political colours may vary and however much they may disagree on some industrial issues. They want to recreate a party capable of winning an election and staying in power. At constituency level, the traditional apathy of trade unions towards local politics—let alone to Westminster politics—seems to be ending and not just in South Yorkshire.

With their essentially conser*vative outlook and* predominantly industrial interests, the unions have for many years posed no challenge to the Labour Party's right-wing estab*lishment. At the party conferences*, the Parliamentary leadership has usually been able to count on the block votes of the unions—now 6.5m to the con*stituencies' 700,000—to scotch* unwanted manifestations of socialism.

Unions have sent to Labour's national executive committee a generally colourless and mostly Right-wing group of representatives, *and have sponsored in* Parliament a large and diverse group of MPs to represent their industrial interests, without caring too much about their poli*tical creed, or even political* ability.

Down in the constituencies, the trade unions have not always taken up their full entitlement to representation on general management committees *to which their affiliation en*titles them. A trade union career has come before a political career in most cases—and Westminster has been seen as a nice job for an ageing official who is getting in the way.

The impetus for change, therefore, comes from two directions. There is the essentially non-political question of organisation and finance, which *depends ulitmately on rebuild*ing a mass membership (for example by converting affiliated trade union members into individual card-holders). Then there is the political sea-change caused *by Labour's election* defeat and what large sections of the party's own rank and file see as its discredited, even anti-socialist, policies.

Unions have, if they choose, considerable powers of patronage

The two levers for change, and for direct trade union involvement in the party's national affairs, are of course the constitutional amendments passed at Blackpool—compulsory reselection of MP's and a wider franchise for the election of the Party leader.

Of the two, there can be little doubt that compulsory reselection is the more significant in the longer term. Trade union manoeuverings ahead of the special party conference on the leadership will provide plenty of headlines as the union Right tries to maximise and the Left minimise the ratio of votes given to MPs in the putative electoral college. That will be followed by the head counting of union delegations to determine whether the victor of the present PLP election is to survive as undisputed leader.

But reselection could eventually change the whole character and behaviour of Labour MPs, and the unions have, if they choose, consderable power of patronage, at least in the industrial areas of Britain.

But of course the systems cuts both ways. We are not talking here about a handful of "Trotskyist polytechnic lecturers," as the Right characterises them, *having the power of life and* death over social democrat MPs. Unions of both Right and Left have been attempting to build up their local presence for some *years, to ensure selection for* their sponsored candidates, and not merely in anticipation of compulsory reselection.

Unions have always sent MPs to Parliament. At the last selection they sponsored 149 sitting *MPs and a further 36 candidates*. But increasingly they have been finding that their sponsored candidates do not make it to selection, either because their union *branches have not been affiliated* to constituency parties, or, if they are, their delegates have failed to turn up to selection meetings.

The National Union of Railwaymen, after consistently failing to get its men into Westminster, decided in 1978 to make branch affiliation to the local Labour Party compulsory and changed the union's rulebook to that effect. The NUR had 13 people on its parliamentary panel for the last election, of whom 11 were sitting MPs. It has instituted a scheme for grooming candidates and put about 100 through the scheme in the last four years.

The aim is not primarily political, in the sense of pro*moting a particular kind of* policy, but rather to combat the waning influence and numbers of railwaymen at a time when the railways are suffering from *lack of Government* support.

The Miners and the Engineers have long-established internal selection processes in which candidates have to pass written and oral examinations before being sent out to face a constituency selection committee, and there are signs that the Engineers — now under Right-wing control—*is trying to build* up its party base.

Another example of new interest in Westminster is the National Union of Public Employees, which like many trade unions used to hand out sponsorship more or less regardless of its own particular interests. As often as not the candidate was already selected before he applied for union sponsorship.

NUPE has its own reselection process. *And, for the first time*, two of its sitting MPs have had their sponsorship withdrawn—Mr. Ted Leadbitter of Hartlepool and Mr. Peter Hardy of Rother Valley. The union insists that there was nothing "political" about that decision—the former being a Left-winger, the latter of the Right—merely that the two *failed* to pass muster with the examining committee of the union when 24 candidates came forward for the 11 available sponsorships.

Once the union has a sponsored candidate, he has to be *delivered*. In few areas can a trade union command a majority of the constituency general management committee, and even if it could, the regional labour party might well intervene to correct an imbalance. The party constitution allows unions to affiliate whole branches provided those branches contain some members living in the constituency. Therefore, one branch can send the *maximum permitted number of* delegates to several constituencies to fill up the trade union section.

A sigh of relief when Mr. Foot entered the lists

The delegates must, however, be individual members of the party even though those they *represent are affiliated through* the union. In practice, it has proved difficult to find delegates and get them along to meetings. Mr. Arthur Scargill has managed to do so in South Yorkshire, and hence the cries of pain from his political opponents.

The unions are beginning to want value for their money, just as Mr. Basnett's Trade Unions for a Labour Victory committee is demanding better financial control of the party's central exchequer.

Parliamentary privilege prevents sponsors from "mandating" their MPs. But the line *between mandating* and "accountability" is a fine one. Although reselection cuts both ways, in the present charged atmosphere of a policy post mortem it is not surprising that it is the right-wing MPs who feel—and indeed are—must vulnerable.

When the Yorkshire area council of the National Union of Mineworkers tells its union *delgates to constituency Labour* parties to make sure MPs take note of the CLP's preference for the party leadership, it does nothing unconstitutional. But the inference is clear.

The other development that is discomfiting for Labour's old guard on the Right is a post-social contract policy shift inside the TUC. The TUC has now wholeheartedly endorsed the "alternative economic strategy," a set of policies that through the *social contract period*, were given short shrift by the Labour Government. The unions which most actively supported Mr James Callaghan—*sometimes under threat of his resignation*—now support Mr. Denis Healey.

Mr. Healey's record does not suggest he is the man to carry the alternative economic strategy through, however big Labour's majority might be at the next general election. This explains why union leaders sighed with relief when Mr Michael Foot entered the lists *for the PLP election*. It is not just the "academic" Far Left but the rank and file trade union activists, who are demanding a socialist programme.

Until now, trade union general secretaries have been able *to maintain their unions' traditional* political allegiances more or less at will—even if they sometimes lose control of their delegations at the Labour *Party conference*. But if the unions are to have a stake in electing the party leader, and if their own encouragement of local activism bears fruit, some *of those allegiances may* be shaken.

The "*invisible*" *millions of* trade unionists who belong to the Labour Party almost by default (if union members had to contract in, rather than contract *out of the political levy*, the party would be very much smaller) are being enfranchised by the Left with the support of many moderates. They will not necessarily vote for the *Left* within the Labour Party. But no Labour politician will be able, in future, to ignore them.

MEN AND MATTERS

Harvest home

One businessman for whom the *sun still shines, in spite of the* encircling gloom of soaring interest rates in the U.S. is Archie McCardell, chairman of International Harvester. McCardell, *whole company last week put* its workers in Bradford and Doncaster on to a one-day week goes home $1.8m richer, following an announcement that IH *directors had forgiven a loan* to that amount advanced to McCardell in September 1977.

What actually happened was that when McCardell joined Harvester from a top post at Xerox, the board agreed to lend him enough money to buy 60,000 common shares in Harvester. The bill came to £1.8m. The board agreed, however, that McCardell would get his money back if he managed to pull Harvester out in front of its main competitors — Ford, General Motors, Deere, Caterpillar, Massey-Ferguson and Paccar — according to a composite index of performance established at the time.

The index wraps together return one sales, return on equity and return on total assets and by most of these measures, Harvester *was a laggard in 1977*. But in 1979, McCardell did the trick and so qualified for his booty, albeit at a time when the competitors were suffering some well publicised problems.

The board's generosity was not deflected by the fact that this year, McCardell led his company into a *$418m loss in* the first nine months, following a long strike in the U.S., which many observers felt ended with no significant gains by the company.

Also, it goes without saying that *those spectacular 1979* ratios which won McCardell his *prize* have melted away. The 4.4 per cent return on sales, for instance, will become a negative figure this year. As for McCardell's shares, well they are *worth more or less exactly what* he, or rather the company, paid for them three years ago. Still, the proceeds will no doubt be appreciated by McCardell, who in 1979 had earnings just under the magic million dolar mark.

"Which candidate are you more apathetic about?"

Case work

As a former financial controller of fruit-machine maker Cope Allman, Philip Case must be well acquainted with the pitfalls of projects which seek a jackpot *return from a modest initial* outlay. But it will, I trust, be in a rather less speculative vein that he taps investors for small-business seed-money in his new role as a partner in Entrepreneurial Finance Ltd.

The venture has been nurtured through its first few *months of life by Martin Hudson* once of accountants Peat, Marwick, Mitchell. But with four fledglings already in its nest, Case and ex-GKN marketing man Graham Eaves have been added to the team.

Entrepreneurial Finance will seek to furnish between £5,000 *and £250,000 for small com*panies developing promising products.

But Case will, I fear encounter some pretty stiff competition from other providers of risk capital, which seems to be one of this country's main growth sectors. Perhaps I shall start a *small* venture capital company to finance businessmen setting up small venture capital companies.

Factory farming

It takes a bit more imagination than usual to find a productive use for an empty Victorian factory with 30 huge holes in the floor. My congratulations then to Standard Telephones and Cables' John Cottrell for his ingenious, and perhaps profitable, solution to such a problem at the company's Greenwich plant.

Cottrell *has started fish farm*ing in the great sunken tanks—some 30 ft across and 10-25 ft deep—which were used for testing and storing submarine *cables* before their production was transferred recently to Southampton.

"I thought of adapting the factory for some other industrial use," he tells me. "But I don't believe in knocking fine old buildings about and the cost of filling the holes would have been *exorbitant*. So I *had to* think, instead, of a profitable use for the tanks—and fish farming just came out of the blue. It's something I'd never given a moment's thought to before."

Cottrell, STC's marine and cable director, then had a water problem to solve. *Supplies from* an artesian well were too alkaline; and filtering it from the Thames was too costly. But the trout are now frolicking and fattening in comfortably warm tap water constantly recycled through a purefying bio-reactor.

"It's too soon yet to say whether this is going to be a commercial venture," says Cottrell. "We're just using the *smaller holes* at the moment." But the company staff's taste for truite meunière is already being satisfied. And *Cottrell says*: "If all goes well, we've got enough holes here to make the biggest fish farm in the country."

Nominal value

McDonnell Douglas has had a bruising year, what with the aftermath of the DC10 crash in Chicago, its impact on sales, and the continuing ripples from a foreign payments scandal which *led the company to agree to* weight the composition of its Board in favour of outside, non-executive directors.

But in one respect, the company *retains a special eminence* as one of the few top U.S. concerns still to carry its chairman's name in the title. That had been true, of course, until August *when Jim "Mr. Mac" McDon*nell, the company's founder and chairman died at the age of 81.

But the company is not short of McDonnells to carry on the tradition. Sanford (Sandy) McDonnell, the 58-year-old nephew of Mr. Mac, has now been named chairman and one of Mr. Mac's sons, John McDonnell, allocated the number two job of company president.

Now that Henry Ford has stepped away from the chairmanship at Ford, there is only one other U.S. company larger than McDonnell Douglas with a chairman whose name appears on the masthead. That is *Amerada Hess*, where the 65-year-old reclusive oil magnate Leon Hess still holds sway.

Balanced view

I am indebted to the U.S. Energy Department's National Energy Plan II (1979) Appendix C for this new slant on the *plight of the jobless*. "Unemployment, in short," it says, "is a disequilibrium phenomenon, where workers are between one of two possible equilibria, namely working or non-working.

Observer

FINANCIAL TIMES SURVEY
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Bahrain

Despite optimism for its economy, the continuing instability of the Gulf region raises doubts for the future. As a small island state, Bahrain depends on trade and services for its prosperity. It still retains considerable goodwill in the area but cannot isolate itself from revolution, war and uncertain government among its neighbours.

Lessons as the island prospers

By Simon Henderson

"SMALL IS beautiful" is how one Government Minister — borrowing the phrase—describes Bahrain. The island state, tucked into the niche of the Gulf between Saudi Arabia and Qatar, has prospered over the years because of the foresight of its planners and by virtue of its position.

Looking out of his office windows over the capital, Manama, it is not hard to see why. In a few square miles, mostly at the north of the island, are situated probably some of the Middle East's most creative development ideas: a profusion of "offshore" banks to handle surplus capital, a dry dock to repair a steady stream of tankers and other ships, and an aluminium smelter to make use of the cheap gas which is a by-product of oil production. Such projects are now being imitated by other Gulf states.

But the same Minister also points out rightly how impossible it is for Bahrain to isolate itself from events in the world, and especially in the region. In the past year or so there have been several times when Bahrain must have seemed all too small, and so vulnerable to events in what appears to be an increasingly unstable area.

The reasons are several and often interconnecting. First, more than half the estimated 350,000 population are Shia Moslems, sharing the faith of both Ayatollah Khomeini's Iran and the majority of Iraq, where the ruling Baathist elite are in fact followers of the Sunni branch of Islam.

Second, they are ruled over by Sheikh Isa bin Sulman Al-Khalifa, who, although recognised as a fair and kind-hearted Amir, is also a Sunni Moslem. Third, by virtue of its size, Bahrain has to make sure it has good, and preferably very friendly, relations with the big states of the region—Iraq, Iran and Saudi Arabia.

The Gulf war, which started in September, has been perplexing for Bahrain. If Iran wins, or at least is seen not to lose, the morale of Bahraini Shias may be boosted. If Iraq wins, there may be protests against local symbols of the Iraqi Baathist regime, as earlier in the year when the trade centre and Iraqi Airlines office were ransacked after a Shia leader was murdered in Iraq.

Seizure

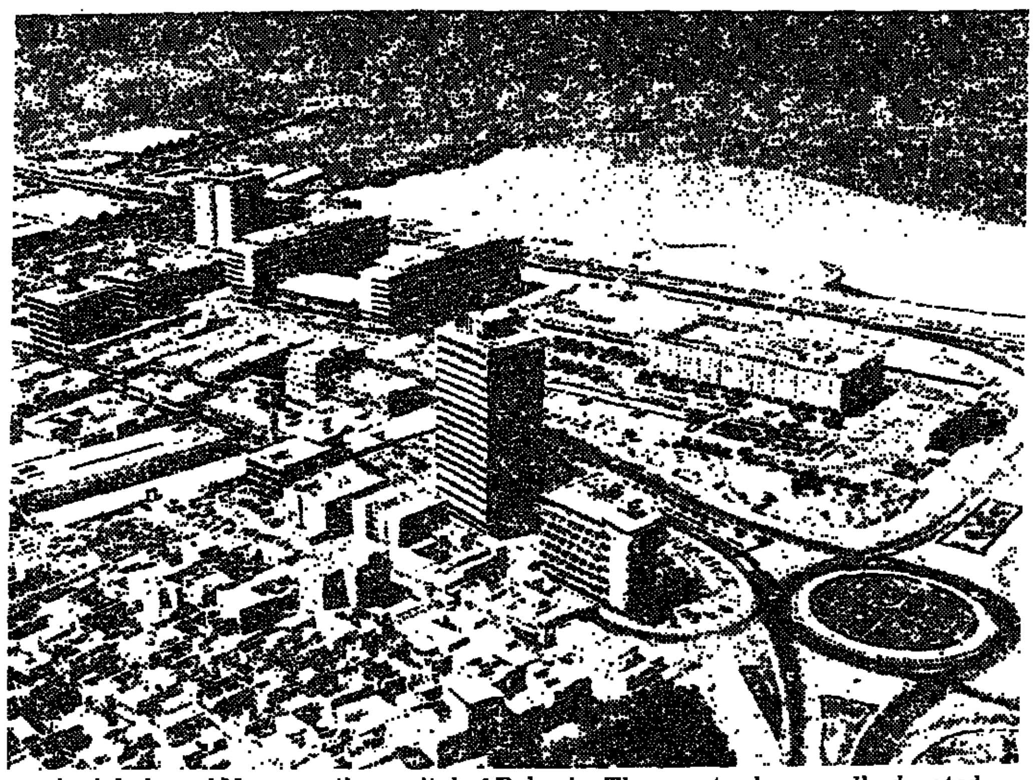
In the other direction, Saudi Arabia, there are also indications that relations have become more tricky in the last year. This is not to say that there are no longer the very cordial links with the house of Saud, but rather the body blow to that regime caused by the seizure of the mosque in Mecca in November 1979 has reportedly made its role in regional leadership more hesitant.

Such problems are rarely actually visible—even during the Shia tension earlier this year it was said to be possible to go to and from work in the capital, Manama, without necessarily seeing either increased police patrols or the few disturbances. Again during the early stages of the Gulf War, when fears that it might spread were acute, there were no signs of the increased tension and Bahrain's acute feeling of vulnerability except for the installation of anti-aircraft guns at the airport.

This ability to keep going with minimum disruption has, if anything, additionally proved the viability of Bahrain as a centre for foreign business operations in the Gulf. Despite the war, the excellent telephone and telex communications suffered no disruption, and the airport, an established transit point on routes to and from the Far East, operated normally.

Gulf Air, the airline owned jointly by Bahrain, Oman, Qatar and the United Arab Emirates, maintained both its international and regional services and few flights were cancelled or rerouted.

There is also a powerful argument that even if greater political change caused regional disruption, it would be short-lived, at least in Bahrain. The country has adapted itself successfully to changes in the past and has a well-educated population and much goodwill in the area which would help the island change again. That is unless the political change is directed against Bahrain itself.



Aerial view of Manama, the capital of Bahrain. The country has a well-educated population and has successfully adapted to changes in the past

Iran has a long-standing claim against the island on the basis that it was ruled by Persia until the end of the 18th century after which the Al-Khalifa clan took over. The Shah dropped this claim in 1970 but it has been repeated since the Iranian revolution by parts of the clerical leadership.

The other sort of disruption which would radically affect the island is a threat to the Al-Khalifa clan. The largely benevolent character of this regime is renowned. On the administrative level relatives of the ruler make up one-third of the Cabinet, including the Premiership, but the Ruler himself keeps a finger on the nation's pulse by holding a regular *majlis* when citizens put their complaints personally to him.

As yet no real threat to the Al-Khalifas exist, although the expected revival of a national assembly (to replace that which got out of hand in 1975) might pose a democratic challenge. But no date has been fixed for such an event; eyes are on Kuwait which would lead the way. In the meantime, the security forces are considerd to have the possibility of subversion under control.

Recent events have certainly altered perspectives though. While in economic terms Bahrain can look forward to reasonable oil production until the end of the century, and plans are going ahead to expand the aluminium smelter, the construction of an iron pelletising plant and a petro-chemical complex—all to be working by 1984—most expatriates working on the island, and often helping on these actual projects, seldom look further ahead than a year or two.

In part this is the transitory nature of expatriate workers anywhere, earning their fortune to go home and pay off the mortgage, but it also betrays deeper worries. One diplomat explained that the foreign community is watching anxiously for the moment when Mr. Ian Henderson, the British head of Bahrain's CID, confirms that he is indeed going to retire, because they wonder how much longer the Al-Khalifa regime can remain beyond that. So far he is staying put.

If foreigners are on the look-out for the political threat most Bahrainis by contrast concern themselves with practical economic problems. There are now hopes, after necessary firm control of spending in the past three years, that the economy can revive again. To an extent this will be helped by the increase in oil prices during the past year, but great store is also being put in the project to build a causeway connecting Bahrain to Saudi Arabia.

This, in a way curious, project will further cement the link economically which is already there politically. The precise economic benefit is to a large extent guesswork. Bahrain denies that the traffic will be all one way with the island becoming just another harbour for the Saudi Arabian mainland. But hopes for Bahrain to become a service centre for mainland industries might well be at odds with Saudi Arabia's intentions to build its own such establishments.

There will be an immediate pay-off. The project, expected to cost up to $1bn, is all to be paid for by Saudi Arabia. The problem for Bahrain will be to make sure that its share of the contract work does not act to overheat the economy. The boom conditions of 1975-76 allowed a lot of infrastructure to be provided but also caused inflation.

The Government aims to hold back inflation by careful control of the rate of spending on some parts of the budget. By contrast, Mr. Ibrahim Abdul Karim, the Finance Minister,

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The politics of neutrality

AT THE END of the Muharraq sea road, where it joins the causeway from the main island of Bahrain, there is a sharp corner which taxi-drivers still know as Selwyn Lloyd Corner. It was here that in March, 1956, the British Foreign Secretary was stoned by an angry mob.

It was the beginning of six months of intermittent popular violence which saw Muharraq cut off for long periods and obliged the British to construct a special airstrip close by the Ruler's palace on the main island.

The British have officially withdrawn, Suez is a dim memory and the eight-man committee of Sunnis and Shia that organised the demonstrations was long ago disbanded. One of its leaders is now the Bahraini Ambassador in Tunis while Nasser's envoy to them, Anwar Sadat, is the respectable but isolated President of Egypt. Only the tradition of direct popular action persisted through the labour disturbances of the 1960s and early 1970s to the rioting of the Shia today.

For such a small island, Bahrain is bewilderingly varied. There is a world of difference between the grubby Shia village of Diraz, with its concrete block houses and spray-gunned slogans, and the bankers' villas *sprouting* among the dying palms of the Budaya Road or the floor show of a Manama nightclub.

According to the 1971 census, half of the island's population is Shia—largely descended from *the original inhabitants* of Bahrain (known as Baharna) before the arrival of the ruling Al Khalifa on their circuitous journey from inland Arabia in the 18th century.

Without actually rejecting the *census figure, most observers* believe that the Shia now makes up more than 55 per cent of the population. It provides the bulk of the blue-collar labour in industry and dominates small retailing in Manama and what *remains of agriculture.*

Unsympathetic

A number of Shia families, like *the Arayyed, have done well in* large-scale commerce and enjoy close relations with the Al Khalifa. They are out of sympathy with the methods adopted by the poorer Shia of the villages and urban working class.

The remainder of the population is Sunni gentry, immigrant Sunni merchants from the Persian coast sometimes called *holi* or *hawali* and about 70,000 foreigners, including a large *but unexciting group of English* exiles.

While it is easier to define these groups than to detect among Bahrainis a coherent sense of nationality, recent years have seen a broad con*sensus of the new middle class* —Sunni and Shia—behind the policies of Sheikh Isa Bin Sulman Al-Khalifa, the 47-year-old ruler, and his brother Sheikh Khalifa Bin Sulman, who is Prime Minister and *responsible for the day-to-day* administration.

Traditional government seems to work better in Bahrain than in its larger neighbouring countries. The ruler and premier are young for Gulf leaders and accessible, while able commoners of both persuasions have been brought into the Government.

Merchants grumble at the Al Khalifa's growing share of business, and the Prime Minister's proliferating agencies, but cor*ruption in the bureaucracy is* relatively light and the commercial control of the ruling family is far less marked than in Saudi Arabia. Most middle-class Bahrainis seem sympathetic to the pleasant vision of chivalry, neutrality and plenty Sheikh Isa offers his visitors.

Bahrainis speak of their flat, desiccated country as a Switzerland of the Gulf, but the Ruler's ideal is really a Gulf Monaco.

Here personal predilection and economic and political sense meet, for if Bahrain is to *survive as a service centre for* its more powerful neighbours it must be both a neutral and an easy place in which to live. Yet the very neutrality of the Bahraini position exposes it to headier messages from abroad *from Baathist intrigues in the* labour force in the early 1970s to the sparks from the slow crack-up of Saudi Wahhabism.

Above all, the Shia masses have always been outside the consensus and have become *acutely self-conscious* since Ayatollah Khomeini returned from exile to establish in Iran the first Shia state since the Middle Ages. The Shia young and the working class of Muharraq and Manama and the *west coast villages have re*sponded immediately to calls for solidarity from Tehran radio or from the Shia *mujtaheds* in Iran.

Mr. Tariq Al-Moayyed, the Information Minister, points out that the rash of processions and marches in the last 18 months *are a* tribute to the island's tolerance. After all, the Khalifa permit the annual Ashura mourning ceremony for the death in battle of the Imam *Hussein, where the matems (or* Shia meeting houses) thrill with violent grief and loathing of his Sunni killers.

Iraq and Saudi Arabia attempt to ban the marches. Certainly, too, the Al Khalifa do not display that distrust and fear of the Shia noticeable in the older Al Saud or, indeed, their own grandparents.

Yet in common with their cousins across the water in the Saudi villages of Qatif and Seihat, the Bahraini Shia feel a sense of historical injustice *more keenly than actual*, present discrimination. The differences between the two persuasions are deeper than a 7th-century schism might suggest. The Sunni doctrine is authoritarian, conventional and legalist, *while the Shia is emotional*, mystical and impatient of temporal government.

The Shia also selects its own leaders but Bahrainis have always looked to authoritative figures at the great Shia shrines *of Najaf and Kerbela in Iraq* and the Iranian holy towns. Of course, the shrines of local saints proliferate in a bevy of green flags at Manama street corners and the Shia is buzzing with talk of miracles since a footballer stumbled on an *18th* century holy man's tomb last *month*.

Sheikh Isa bin Sulman Al-Khalifa, Bahrain's courteous and accessible Ruler, has promoted an independent lifestyle for the island, but communal peace will depend on the skill with which the different sectarian groups are handled and also on events in the region

But in practice, the Bahraini Shia looks for guidance to Khomeini and to a number of Kerbela mujtahads, notably Imam Mohammed Baqr *Sadr*, before his execution by the Iraqi Baath earlier this year. The *matems* are independent of each other but Khomeini's overwhelming authority has become increasingly accepted.

*The latest bout of Shia dis*content began just before Ramadan in July 1979. A delegation of Shia leaders sought from the Ruler a stricter observance of Islamic law in schools and in such matters as the sale *of alcohol*.

Eviction

The Ruler responded with a *number of concessions*—including the ejection of the British TV dance group, Pan's People—but the security forces, anxious about what they saw as an *increasingly political* protest, detained a mullah named *Mohammed Akri* on his arrival from Qom and evicted Hajj Seyid Modaressi, a mullah travelling on Sharjah papers and claiming to be Khomeini's emissary.

In an atmosphere of recrimination, Ayatollah Rouhani, a champion of "exported" revolution, called for a Shia insurrection against the Al Khalifa. The demonstrations of *August 23 and 24 last year* gathered crowds of more than 1,000 people and saw the police deploy tear gas and baton charges for the first time. Since then, the Shia has marched almost to the order of Rouhani *and Modaressi on Tehran radio* or of the Iman himself.

A small and rather hopeless bomb exploded in December at an office block owned by the Amir's wife in Manama but major activity did not begin *until April this year when* Khomeini called for demonstrations against U.S. sanctions. Baqr Sadr's murder later that month, and the death of a young Shia named Jamil Ali Al-Thawr while in police custody at the *Salmaniya Hospital, also raised* the temperature. In June, the security forces arrested 15 leading Shia in a show of force that appears to have worked.

Attitudes to the Shia activists vary considerably. Even some *Shia businessmen regard the* demand for an Islamic state without sympathy, and fear it will be bad for business. Some older Sunnis see the problem as one largely for the British ex-Guardsman who runs the *Jiddah Island prison or the* Nigeria Police and Mau-Mau troubles veterans who run the 4,000-strong police and the CID.

Yet there is a body of opinion, particularly among the *holi* who have acted as a bridge between *the communities since* 1956, that something must be done to understand the Shia ferment.

A Sunni ex-deputy, Mr. Jassem Murad, organised meetings *between* leaders of the island's main religious and social *groups after Jamil Ali's* death. However, a joint statement of grievances that was presented to the Prime Minister has been, in Mr. Jassem's words, "set on one side."

Dilemma

Mr. Moayyed argues that "the people draw a line between expressing their views and wishing to change the Government" and that their sympathy "with the noble ideals of the Iranian Revolu*tion" has been muted by subse*quent political events. But this surely applies only to the older and more successful Shia.

The outbreak of war between Iraq and Iran has presented Government and Shia with a dilemma. Although the demonstrations in favour of Iran have so far been minor affairs, *this* is chiefly because the Al Khalifa *have adopted a scrupulous offi*cial neutrality and because the Shia is cowed by the dangerous atmosphere.

There is no doubt that many in the Government would agree with the leading Shia who said "A victory for *Takriti* (President Saddam Hussein) would *be a catastrophe for the Gulf*." but Iranian successes would increase the confidence of the Bahrain Shia. Nobody is looking forward to the Ashura ceremonies later this month. Ultimately, communal peace *will depend not so much on* Sheikh Isa's good sense or the efficiency of Mr. Ian Henderson's CID, but on events in Iran.

The problem of the Shia has tended to overshadow the muted and inchoate demands *for more representative govern*ment and the organisation of labour. Both are complicated by the closer relationship with Saudi Arabia that is likely to *follow the building of the cause*way. The Kingdom deeply distrusts any abdication of traditional control and is fearful of trades unionism.

"We are hampered," one Bahraini minister said "by the need to consult *Saudi Arabia in* both matters." The Shia is especially suspicious of the kingdom because of the comparative lack of prosperity in Qatif.

The elections for Bahrain's *first National Assembly or majlis* were held in December 1973, when nearly 30,000 male Bahrainis went to the polls to elect 30 deputies. Held as they were in the *backwash of the* October War, the elections saw *strong activity* by the Left, which secured eight seats.

Moderates like Mr. Jassem would argue that only two of these could possibly be termed *Communist and the Left's good* showing was primarily the result of the moderates' complacency and the greater organisation of the Left at that time.

Nevertheless, the Al Khalifa (and many of the moderates) *were deeply disturbed. In the* 100 or so meetings before the *majlis* was dissolved in August, 1975, rational debate, rapidly gave way to open hostility to the Al Khalifa over such issues as inflation or the U.S. naval *force* at Jufair, while the Government accused the Left of attempting to bring down the regime.

The events of the past two years, and notably the Iranian revolution and its impact on the Bahraini Shia, have persuaded the authorities to look at the revival of the *majlis* more seriously. Kuwait and Saudi Arabia also have promised more representative government with different degrees of conviction.

There can be no doubt that *many of the leading Al Khalifa*, including the Amir, are happy *to see some spreading of* responsibility but within a traditional family regime. Where the *majlis* would be primarily an opportunity for *shura* (consultation) rather than popular sovereignty.

An important influence would be the feeling among most Ministers, including one or two of the Al Khalifa with *technical portfolios*, that Bahrain is ready for representative Government. These are ready to tolerate stricter controls to calm the fears of the other members of the *ruling* family. The moderates, for whom Mr. Jassem provides an eloquent spokesman, would even accept a third of the *majlis* appointed by the Ruler —or at least for the first 10 years.

The Left appears to have *diminished in power* as conditions in Bahrain since the 1973 oil-price rise have improved. The Front for the Liberation of Bahrain, not untypically for the island, operates "offshore" while the National *Union of Bahraini Students* has been silenced by discreet warnings from the security forces.

While the Left would probably accept greater Government control over the *majlis*, it is doubtful that the Shia mullahs who would take the remainder of the seats could overcome their habitual distrust of the Al Khalifa to make any real contribution.

Popular

At present, the Government is only holding discreet talks with the three main groups and has set no date for lifting the *suspension of the Constitution*. There remain formidable problems of combining popular participation with *family* rule into a workable system.

Nevertheless, the ruling family appears more tolerant of a *majlis than of trades unions for* it has unpleasant memories of labour unrest before the oil boom. The Minister of Labour, Sheikh Isa bin Mohammed Al Khalifa, who was known to favour trades unions and *actually said employees could* form them, resigned last June.

While the Ministry of Labour has a reasonably effective apparatus for settling disputes (other than those over pay), unemployment is rising (to 4,300 in *1979*) and could become a major problem as the 2,500 school-leavers *a year fail to find ade*quate work. In the short-term, the causeway project will help absorb many of these but unemployment could eventually provide Bahrain's most serious political problem and will certainly exacerbate *the communal* split.

James Buchan

Island prospers

CONTINUED FROM PREVIOUS PAGE

hopes that future oil price increases will *enable Bahrain to* go on fully funding its ambitious social services programme, including housing, education and health.

Unlike almost any other country in the world these do not have to compete with demands for defence or foreign policy budgets—Bahrain has no air force and an army of only 2,500, nor does it feel it necessary to have a profusion of embassies abroad.

An expanding economy will not necessarily mean increased *employment opportunities*. Bahrain's educational system may date from the turn of the century but it is not always turning out people with the right skills. On the high technology projects which the island has specialised in, like the oil refinery, the aluminium *smelter* and the dry dock, the need to find the necessary skills abroad will continue.

Census

Figures for so-called Bahrainisation try to show a year-on-year improvement but glaring exceptions remain. For example, one of the top hotels has a staff of *about 400 of whom 350* are Indians, and this is not an *exception*.

Foreign workers and their *families are thought to number* perhaps 70,000 of the estimated total 350,000 population—a more accurate figure will emerge after next year's census, which is not, incidentally, going to ask questions about religious persuasion. Bahrain has gained a reputation for its friction-free *acceptance of these workers*, and a tolerance for their customs, whether they be from the East or West.

This hospitality perhaps originates in Bahrain's history as a trading port but an additional influence has been the way the ruling family went out of its way to welcome the first *oil workers in the 1930s. One* amazing custom retained to the present day is the ruler's standing invitation to Europeans to use his beach on the west coast of the *island*; the custom dates from the time when there were *no swimming pools*.

Disappointment

If the Al-Khalifas ever felt let down by the Westerners to whom they have been so kind, they do not seem to show it. There are reports of disappointment when Britain *pulled out* from East of Suez in 1971, four years before it said it would, but individual Britons still retain influential positions in the bureaucracy, as they do in other Gulf States.

Although the U.S. took over Britain's military role, it never *seems to have been as success*ful in attaining access to power. The Jufair naval facility just outside Manama is kept at a low profile, and neither Bahrain nor Washington likes talking about it. It is perhaps a measure of Bahrain's acceptability to all Arab States however that *the condemnations by radical* states of America's presence in the Middle East, while mentioning Somalia and Oman, no longer seem to speak of Bahrain.

While this is the case, Bahrain is believed to want to keep the U.S. presence because *it makes the ruling family feel* secure.

Far-sighted tailoring of the economy

MR. IBRAHIM ABDUL KARIM, Bahrain's Minister of Finance, sees the economic history of his country in terms of its ability to change successfully its economic focus when conventional markets collapse, or when growth stagnates.

When in the early 1930s the pearl industry declined with the intrdduction of Japanese cultured pearls, Bahrain was saved by the discovery of oil. Then in *the mid-1960s, oil output had* maximised and the economy was stagnating to the point that unemployment had become a problem.

But it was decided to develop a free zone at the main Mina Sulman port, and the go-ahead was given on the construction of an aluminium smelter. This mopped up the unemployment, and the exploitation of the offshore Abu Safa oil field, shared with Saudi Arabia, gave a welcome boost to revenues.

The Minister's theory is upset a little by events of the 1970s. The far-sighted decision to develop Bahrain as a service industry centre (hence the dry dock) and financial centre (hence the offshore banks) was taken just before the four-fold *increase in the price of oil in* 1973-74. Although the new enterprises were able to take useful advantage of the resulting boom, everyone was nearly swept off their feet when it overheated.

The budgets of those years increased between 35 per cent and 100 per cent annually. The infrastructure was certainly built up but there were high costs in terms of supply bottlenecks and inflation. Ships waited at Mina Sulman port for 60 days before unloading, and accommodation rents, especially for Western executives, soared, making Bahrain one of the most costly places to live in the world.

It was a bad experience all round, forcing tighter budgets in 1978 and 1979. Now *Bahrain's economic policy* is geared to making sure it never happens again. But it requires very fine tuning, and mechanisms to do this are comparatively limited.

Cushioned

There is no income tax, customs rates are low (though still high compared with other ports in the region) and the bulk of the population is cushioned from the real cost of living by subsidies on food and utilities.

The Government therefore *has to rely disproportionately* on the development side of the budget (some 65 per cent of the total) to encourage growth and keep inflation within limits at the same time. Although capital expenditure *is due to increase this year to* BD148.9m (£165m) from the BD130m in 1979, it is only planned to increase to BD149.4m in 1981.

To an important extent much of the future economic direction of Bahrain depends upon the causeway with Saudi Arabia. *The winning* tender has yet to be announced but with half the work probably coming to Bahrain (and conveniently all the cost being met by Saudi Arabia) it will provide a powerful boost by contractors' *use of hotels* and other accommodation and the shipment to the island of plant and materials.

Additionally, on completion, Bahrain hopes the island will be able to service the developing industries of the kingdom's east coast.

The causeway is important for its political implications too, cementing a diplomatic understanding which, although recognising that Bahrain must have good relations with all countries in the Gulf, say that *relations with Saudi Arabia are* the most important. Already Ministers make regular, often weekly, visits, and there is an "airbridge" of ten flights each way daily between Bahrain and Dhahran on the mainland.

One argument against the causeway is that it will make Bahrain just a transit port for *Saudi Arabia. However,* Mr. Shirawi is convinced that on completion, probably by 1984, the resulting traffic will be two way. A lot remains to be seen though, particularly as regards the kingdom's attitudes to the relatively free atmosphere in Bahrain on alcohol.

Nevertheless, the causeway *will continue a history of co-*operation between the two countries for which the development of Bahrain's economy owes much. The Sitra refinery has a capacity of 250,000 barrels a day of which 80 per cent comes, via undersea pipeline from the mainland.

This has to be paid for at the Saudi Arabian official price, but the kingdom turns over half the revenue of the 200,000 b/d offshore Abu Safa field as an act of benevolence, for, strictly speaking, only a fraction of the field actually lies in Bahraini waters.

The last year's increases in the price of oil have increased revenues so as to account for 70 per cent of the BD 329m *(£365m) 1980 budget as opposed* to a planned 60 per cent.

Other direct Saudi Arabian *involvement in the economy* is in the 120,000 tons a year aluminium smelter, Aluminium Bahrain (ALBA), at present undergoing further expansion, where the Saudi Arabian Basic Industries Corporation (SABIC) is now *taking a 20 per cent* stake, and the new petrochemicals concern, Gulf Petrochemicals Industries Company (GPIC).

Also taking a one third equity in GPIC, along with Bahrain and Saudi Arabia, is Kuwait, the other major benevolent big brother to the island. The $400m *project, like so many* other local enterprises to be built on reclaimed land, is due to be begun next year. Kuwait has already paid for a study of the airport's expansion over the next 15 years, and is expected to provide half the necessary finance for that in the form of soft loans.

Service

Private Kuwaiti money, along with private interests in Iraq and Jordan as well as the Bahrain government, is also in*volved in the future iron pellet*ising plant. The $300m plant, to be owned by the Arab Iron and Steel Company (AISC) is due to start operating by the end of 1983 at another site being reclaimed from the sea. AISC has been established as an exempt company, the first industrial enterprise to apply for offshore status.

Along with Alba the major element in Bahrain's industrial sector is the dry dock of the Arab Ship Repair Yard (ASRY). The facility typifies the way that Bahrain has become *the service centre of the* Gulf. Although it has operated at 90 per cent of capacity, with only a comparatively small drop in bookings because of the Gulf war, it is accepted as being a loss maker.

But this does not seem to bother its shareholders, the member states of the Organisation of Arab Petroleum Exporting Countries (OAPEC), who see the $340m ASRY as an important investment to stimulate broader economic development in the region.

Two much talked of projects have yet to have any real substance. An agreement to set up an aluminium *rolling mill* is expected to be signed perhaps this month by at least six of the *seven* member-state of the Doha-based Gulf Organisation for Industrial Consulting (GOIC). Bahrain, Saudi Arabia, Iraq, Kuwait, Qatar and Oman have already pledged their support and a decision is *awaited from the United Arab* Emirates.

Unexploited

The project calls for an investment of $100m and is *intended* to produce 40,000 tonnes a year, but a site has still to be selected.

The idea of a natural gas liquefaction plant is also often mooted as a way to make use of Bahrain's extensive and comparatively unexploited gas reserves—a far larger resource than probably oil ever was. But *the Government* has told the Bahrain National Oil Company to study the project and seems hesitant to give it the go ahead while world gas prices lag so much below their calorific oil equivalents.

The need to keep a careful control on the rate of spending on development projects is the *main reason why a two-year* budget is now used. It was first successfully used in 1978 and 1979. Mr. Abdul Karim says the rate of execution of projects remains about the same, at 97-98 per cent of *planned levels, as with* a one-year budget but there is greater flexibility.

From *this* year a further refinement is being attempted with the introduction of a four-year development programme which will take into account all major capital spending. Individual ministries are being asked to send their estimates to the Ministry of Finance by the end of the year.

A *20-25* per cent increase in the budget is expected annually for the years 1982-85 and the aim is to bring about 7 per cent annual real growth. (By contrast, with inflation, there are negative growth during in the mid-1970s).

An important spin-off *from* development is the employment it provides. Apart from anything else, a disgruntled and unemployed labour force poses *political* risks *for* the regime of Sheikh Isa bin Sulman Al-Khalifa. Bahrainis are among *the best-educated Arabs in the* Gulf — formal education was introduced at the beginning of the century as compared to other states where it started only several years after the 1939-45 war—and a couple of thousand school leavers enter the labour market annually.

"Bahrainisation" — or the provision of jobs for native Bahrainis in preference to the 70,000 expatriates (Indians, *Pakistanis, Europeans, Ameri*cans and other Arab nationals) —is taken very seriously by the government. To their credit the major companies treat it equally so. Cable and Wireless, which operates the telephone *system, has an 85 per cent* Bahraini labour force, Gulf Air, the regionally-owned airline, says 52 per cent of the staff are Gulf nationals.

Alba and the ARSY both say about half their employees are Arab or Bahrainis. But clearly a lot more remains to be done.

A useful, though marginal, role in employment has been taken up by representational offices set up in Bahrain and by the offshore banks. The latter's role is seen more soberly now than perhaps first intended. Even with their special status the banks often take a year or two to break even.

They are, however, now a permanent part of the Bahrain business scene which, together with their commercial bank *counterparts, the efficient tele*phone system and the range of direct flights from the airport, bolster Bahrain's reputation as the commercial centre of the Gulf.

It is this reputation which has encouraged a wide range of foreign concerns to apply for exempt company status, under *an arrangement introduced in* 1977 whereby for an annual licence fee as low as £2,800, a company can have all the advantages of Bahrain's position and communications and not pay any tax. There are now *56 licensed companies,* with applications being considered for 35 more. Three of them recently launched highly successful share issues.

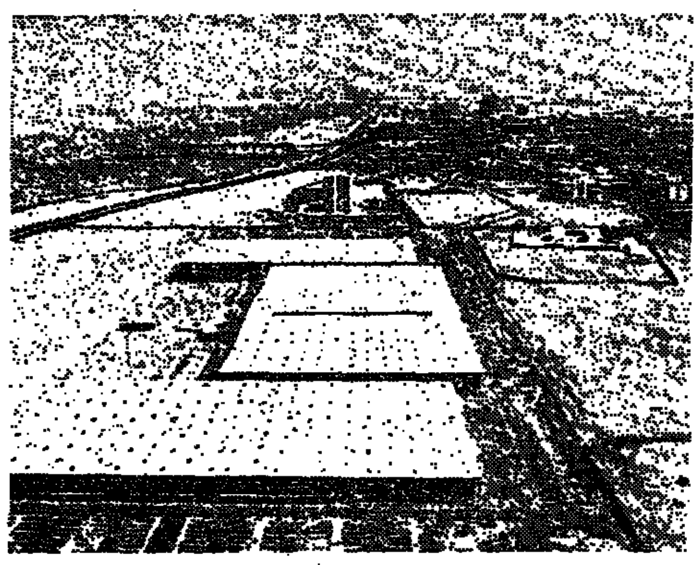
The number of times each issue was oversubscribed was embarrassingly large and a temporary halt was called while *the rules were changed to pro*hibit what was regarded as undesirable speculation.

But the reputation of Bahrain as a financial centre also pays off. When this summer the Government suddenly announced plans to take over 60 per cent of the refinery operation from Caltex, it was quickly able to raise a *$300m Eurocredit for* the purpose, leaving only $100m to pay itself.

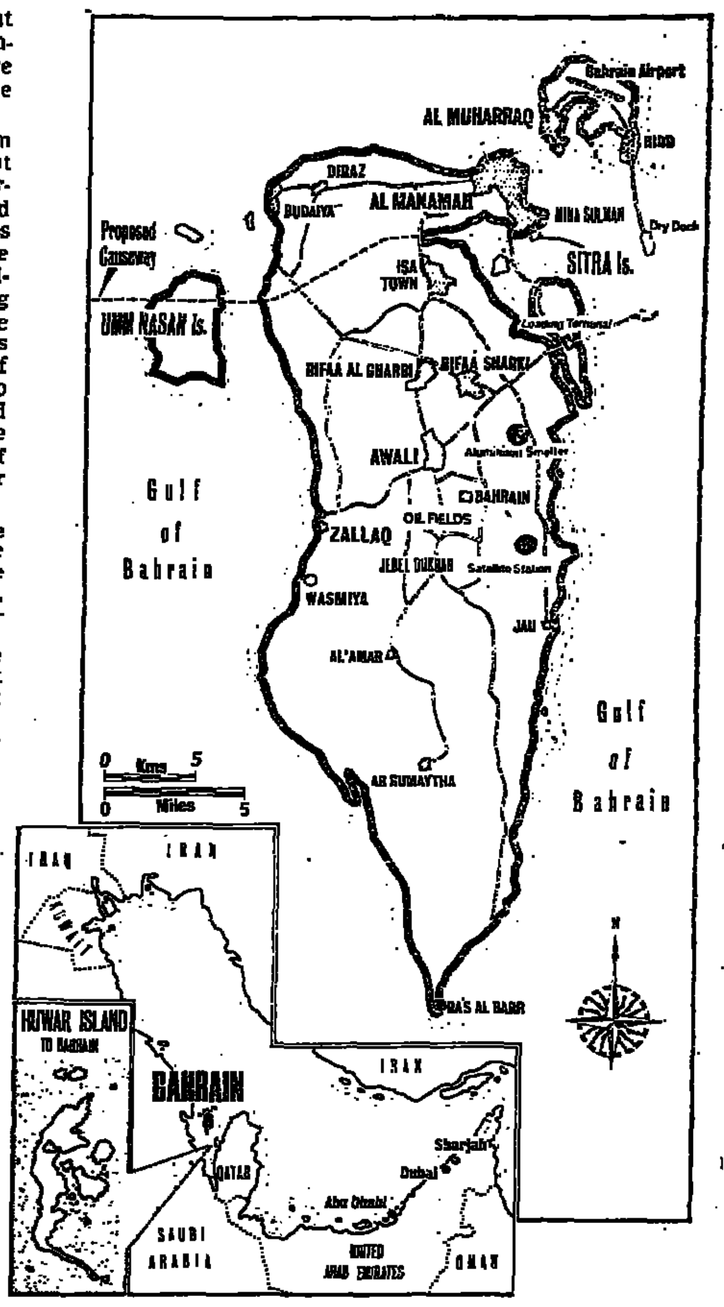
The Finance Minister's overall view is that Bahrain has been able to cope with the *strains of the last eight years* and he is optimistic for the future. But he is obviously uncertain about the wider implications of the Gulf war. He also states that he cannot look beyond this decade, but, recalling the ups and downs of the past, he says he thinks Bahrain "could adjust itself again."

BASIC STATISTICS

Area: 670 sq km	
Population: 350,000 (est.)	
Trade (m Bahrain dinars 1978)	
Exports	733.1
Imports	791.8
Trade with UK (1979)	
Exports	£ 22,780m
Imports	£123,467m
Foreign exchange reserves	
June 1980	$783.6m
end 1979	$603.4m
Currency: 0.926 Bahrain dinars =£ 27/10/80	



The new covered market in Manama. Most of the population is cushioned from the cost of living by subsidies on food and utilities



Euphoria thins as causeway award comes in sight

IN HIS office in Manama's disintegrating Government House, Mr. Yousuf Shirawi, the island's Minister of Development and Industry, has mischievously placed a chart called the "Five Stages of a Project."

On the chart a first stage of excitement and euphoria passes on to disenchantment, through a search for the guilty and punishment of the innocent to reward for those not involved. It is not clear which stage the Bahrain Causeway project has reached.

The project, which began life nearly 20 years ago as a vague piece of Saudi rhetoric is now, through the sheer persistence of Mr. Shirawi and Bahraini interests, approaching reality. But now that the Saudis are convinced and the award of the construction contract is in sight, nobody, not even Mr. Shirawi, wants to talk about it.

Mr. Shirawi says merely that the causeway will be built and will be of great benefit to Bahrain and Saudi Arabia. It seems that the causeway at least has passed the euphoria stage.

This is inevitable in a project that has been so discussed and picked over since the quadrupling of oil prices in 1973-74 brought it within the reach of Saudi Arabia's pocket.

A proposal for solid causeways to seal off the shallow waters between the Kingdom and Bahrain was made in 1969. That did not progress far and it was not until 1976, a year after the appointment of a consultant, that a basic design was approved.

To prevent tidal disturbance and further interference with marine biotopes in the already highly brackish Gulf, the design incorporated five bridges spanning 12 km of the 25-km causeway. The planned structure started from a point south of Al-Khobar on the Saudi coast and ran across the island of Umm Nassan—a game preserve for Bahrain's ruler—to the Bahraini coast at Jasra. The span over the main navigation channel west of the island was to have a clearance of 28.5 metres above water level.

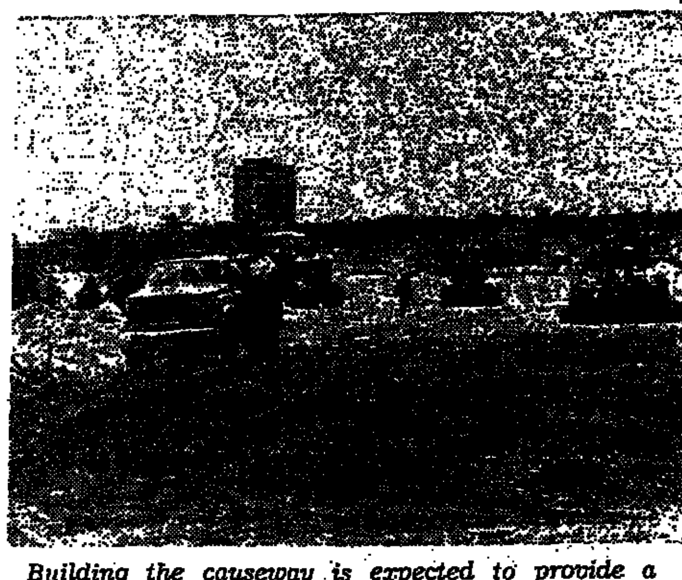
At the time, however, the kingdom was wrestling with inflation and a capital spending programme that was getting out of control. A British group, badly overestimating the declining influence of the businessman Mr. Adnan Khashoggi, attempted to bludgeon its way to a sole-source award.

In fact, the Saudi Finance Ministry was becoming increasingly concerned about quality and price and impatient with the padding of bids with large commissions. Bahrain, which has never enjoyed the Kingdom's financial leeway, has always been so. By 1979, when Saudi Arabia had finally made up its mind to go ahead, both Governments were looking for safety in numbers and no fewer than 22 companies were prequalified.

Bewildering

The kingdom also appointed Mr. Saleh Umair, a deputy finance minister, to head the joint technical committee evaluating the bids, and as full time technical director a former professor of civil engineering from Dhahran's University of Petroleum and Minerals.

Yet the picture has not cleared. Sixteen consortia tendered at the Ministry of Communications in Riyadh at the end of June, and posted a six-month bid bond of about $5m, but the technical committee has made little progress in evaluating a bewildering 40 offers for the structure. The



Building the causeway is expected to provide a powerful boost to the economy. Apart from the construction itself, work has already started on new roads in the island which will connect with the scheme

bids range from $500m to $1,300m but Saudi officials have come to know, usually to their cost, that the financial component of an offer with its host of qualifications and cost indices can be misleading.

The chief problem, however, is that even with World Bank assistance the committee is having trouble sorting out the technical advantages of the various offers and even whether to use steel, steel-reinforced concrete or a mixture of the two. It now seems likely that the two Governments will make a short list of the five or six groups which have bid lowest and ask them to renew their bid bond and enter detailed negotiations or even present new offers.

The Saudi Finance Minister, Mr. Mohammed Aba Al-Khail, is in no mind to rush the project but, given the pressure from Bahrain and the Saudi leaders, which the recent Gulf War can only increase, the contract should be awarded next year.

The Saudi-Danshi consultants, a joint venture of the Riyadh engineer Nizar Kurdi and Kampsax and Christiani-Nielsen of Denmark, still believes in steel box girders for the bridges. Even so, when prequalification was completed with 38 consortia whittled down to 18, the committee allowed four concrete specialists to be added.

This might seem curious considering the two countries' painful experience of reinforced concrete. Government House, which contains Mr. Shirawi's own office, is under almost constant repair because of corrosion of the steel reinforcement. This is caused as much by cracking through temperature differences and the effect of massive ultra violet radiation on paints as by over-hasty building. Mr. Shirawi claims that something has been learned from the mistakes of the past 10 years, but conditions in the channel, in terms of windblown chlorides and sulphates, will be more testing than onshore. One West German engineer even recommended dispensing entirely with steel in favour of glass-reinforced plastic.

Whatever the material selected, a number of consortia have already established themselves as favourites. At the top of any list would be a group led by Ballast Nedam of the Netherlands, which has bid low for both steel and concrete. Others seriously in the running are groups involving Dyckerhoff und Widman of West Germany; Raymond Saudi Arabia and Brown and Root; Hochtief of West Germany; Bilfinger and Berger of West Germany; and, conceivably, the high-bidding Bos Kalis of the Netherlands and Cleveland Bridge of the UK.

The first four groups are all well-known in the kingdom while the fifth is bidding with the most experienced Saudi contractor, Binladen, and the Bahraini concern headed by Hamid Zayani. Brown and Root also has a Bahraini operation.

Such commitments perhaps will carry more weight than the influence of such Saudi princes as Prince Bandar ibn Khaled, for Ballast Nedam, and Prince Mohammed ibn Fahd, with the Raymond offer. It is felt in Bahrain that the kingdom's domestic disorders last winter and the increasingly entrenched Riyadh bureaucracy (shown in the creation of the special causeway administration) has done much to diminish the weight of royal patronage.

Expansion

It still seems probable that the work will be divided between contractors with building starting simultaneously at both ends. Mr. Shirawi argues that the Saudi-Bahraini crude pipeline and joint telecommunications work show that the two countries can co-operate on large projects. The question from the Bahrainis is how much of the direct benefit can they take for themselves.

"There is no stipulation that the work should be divided up equally," Mr. Shirawi says. But it is quite clear that the merchants of Hasa, while inured by Aramco to large-scale importing of materials, have quite enough to do with the planned expansion of Aramco oil-producing capacity and the vast Jubail industrial programme.

Equally, the difficulty of gaining Saudi visas, the exasperating import procedures and the trying conditions of life on the mainland would tend to favour Bahraini suppliers in any contractor's eyes.

It is no surprise that work has already begun on a road from Jasra to the port of Mina Sulman. Other benefits will come from housing part of the construction workforce (that could number 3,000) and from such services as dredging and contractors' insurance in which Bahrain is more experienced.

While rock for the causeway probably will come from either Hasa or the lower Gulf, the Government-owned quarry, managed by Bramco, is hoping for business, as is the Arab Shipbuilding and Repair Yard, which desperately needs steel-fabrication work for its half-idle workshops. The causeway will also provide a lifeline for Bahrain's hotel industry, which will have twice as many hotel rooms next year as last. The Holiday Inn, the Diplomat and the Sheraton have all been faced with financing problems.

In the longer term, the economic advantages seem to be largely from the island. Certainly, the Mina Sulman port officials believe that the causeway could open up the mainland market to them. Mr. Shirawi scoffs at this view. "Those who think the Bahrain port will become an entreport are thinking with the mentality of the 1940s"—when a third of Bahrain's imports were re-exported to the mainland.

He claims that the vast size of Saudi import requirements offers economies of scale for re-exports to Bahrain. Officials talk of fruit from the Levant and goods from Europe passing through Hasa to Bahrain. It is an attractive idea, particularly with concern so focussed on the safety of the Strait of Hormuz. Yet the kingdom is at present opposed to re-exports while its bedouin haullers and dozy customs officials scarcely would inspire Bahraini confidence.

More pertinently, Mr. Shirawi hopes that Bahraini suppliers will be granted access to the vast construction market in Hasa—although a Saudi protective tariff against Bahraini aluminium extrusions is scarcely a hopeful sign.

Nevertheless, the causeway can only strengthen the trend to economic co-operation shown in the kingdom's involvement in Aluminium Bahrain. Mr. Tariq Al-Moayyed, the Bahraini information Minister, sees its role as similar to that of the railways in the old American West. However, the obvious economic benefits overshadow the inevitable political and social changes the causeway will bring.

The most obvious focus of worry is that the vastly-increased tourism from Saudi Arabia could lead the Saudi Government to press Bahrain for reform of its free-wheeling social life. In recent years, the behaviour of Saudis abroad has been the object of complaints by the Mecca and Riyadh ulema. It seems certain they will seek reforms in Bahrain.

Intrigue

Equally, the causeway will aggravate the wide differences in political development and consciousness between the two countries. Most Bahrainis believe that the Kingdom will not dramatically relax its restrictions on entry. Certainly, nobody expects the kind of large-scale intrigue that Saudi Arabia has undertaken in North Yemen with such lack of success.

Up to now, Saudi Arabia has involved only itself in the internal politics of Bahrain at the request of the Al Khalifa. Nevertheless, both the Shia and the Left are worried about greater Saudi influence.

The causeway can only strengthen the Saudi sense of responsibility for defence of the island, in loose co-operation with the U.S. For all the criticism that can be levelled at the kingdom's military, the Saudi air force and, more distantly, the navy, should one day provide effective local forces.

Bahrain has always attempted to balance its relations with its three powerful neighbours, Iraq, Iran and Saudi Arabia. This policy has worked well since the outbreak of the war. The completion of the causeway, some time in 1985-86, will herald a pronounced shift in this policy.

James Buchan

First-class telephone system

MR. ALEC SHERMAN, General Manager of Bahrain Telephones, has a low-key but, one suspects, well-rehearsed way of demonstrating the excellence of the country's telephone system. Driving visitors around the capital, Manama, he explains the working of the push-button car telephone, with its capability of memorising 10 numbers.

"If I press this one, I can ring my daughter in Stockport, and another gets me through to my other daughter in San Francisco. Is there anyone that you would like to call ?" he says.

It is, of course, an irresistible temptation although a rapid mental calculation of the time difference revealing that it is only 7 a.m. in London quickly prunes the possibilities. A digital display shows the number being dialled and, after a few seconds of electronic digestion, there is the number ringing as clear as a bell. The resulting one-sided conversation is made by a complete convert.

Bahrain's two communications satellite earth stations at Ras Abu Jarjur provide direct access to 21 countries. The first station came into operation in 1969 and the second this year

The car telephone is an expensive facility, costing over £4,000 for equipment, installation and first year's rental, but it is pricey anywhere in the world. The point about Bahrain's two-year-old carphone system is that it is just one aspect of a whole range of the island's advanced telecommunications services—it is only this year that London is switching from an exchange-controlled car radio to a car telephone system.

Growth

Crucially, the whole system makes money; it is cheaper than most of the other Gulf State operations, and is managing to cope wth a useage rate growing at about 25 per cent a year.

Domestically the system has now caught up on itself, with only 500 on the waiting list compared with nearly 12,000 two years ago, and an investment programme is well under way, increasing its size. A new computer-based digital exchange started working in January and another is being installed at the new Telephone House in the Salmaniya area of Manama. Only two remote villages are not connected to the system.

Internationally, 1980 saw the opening of the second earth station, increasing still further the efficiency of the direct dialing facilities—a must for Bahrain's status as a financial centre. Besides providing world-wide voice, telex, telegraphy and fascimile links, an international database access service (IDAS) was introduced at the end of 1979 giving access to the huge data banks in the U.S. It also provides voice-grade circuits for the Reuter monitor economic service.

The whole system is operated by Cable and Wireless, the telecommunications company 100 per cent owned by the British Government, under a franchise which gives it complete ownership. Nationally the service is called Bahrain Telephones; internationally, there is the sister organisation, Bahrain International Communications (BIC).

But despite its British ownership, Mr. Sherman and the British managers like him are comparatively few. Only 5 per cent of the staff are British expatriates; whereas 86 per cent of the staff are Bahraini, many graduates of the special C and W engineering college on the island.

Such a consideration is obviously important for when the present franchise runs out in 1982. There has been a "continuous dialogue" about what form the new franchise would take. C & W says that it would prefer owner-management but as it is well used to a variety of operating circum-

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Shrewd use of oil and gas reserves

OIL was first struck in Bahrain in June, 1932. It was the first to be found in the southern Gulf and its discovery boosted the theory that there were probably vast reservoirs all over the area. Subsequent drilling proved this was the case. The only trouble for Bahrain was that the deposits were not on its territory, but in Kuwait and Saudi Arabia.

If fate has been less than generous to Bahrain, the country has made up for it by the ingenuity with which it has used its rapidly-depleting reserves, and by its good relations with its richer neighbours which are paying off well in terms of downstream investment.

Although Bahrain's own oil production is only 47,500 barrels per day, its refinery's business is boosted by an extra 200,000 b/d which it processes for Saudi Arabia. The country's revenue also benefits from a 50 per cent share in the 200,000 b/d offshore field of Abu Safa although, strictly speaking, the field is almost entirely in Saudi Arabian waters.

Both Saudi Arabia and Kuwait are now joining in on a petrochemical project to be built on reclaimed land. The scheme, estimated to cost £170m, will be making use of Bahrain's other major resource—natural gas—the reserves of which are potentially more valuable than oil ever was.

Such development, and the good chances of success for it, are hardly surprising given Bahrain's enterprising record of handling its oil and gas reserves. During the last year alone the country has seen the bringing into operation of a new gas gathering and liquefaction plant, processing associated gas previously flared or vented; it has successfully completed the take-over of the exploration and production rights; and it has taken a majority shareholding in the refinery.

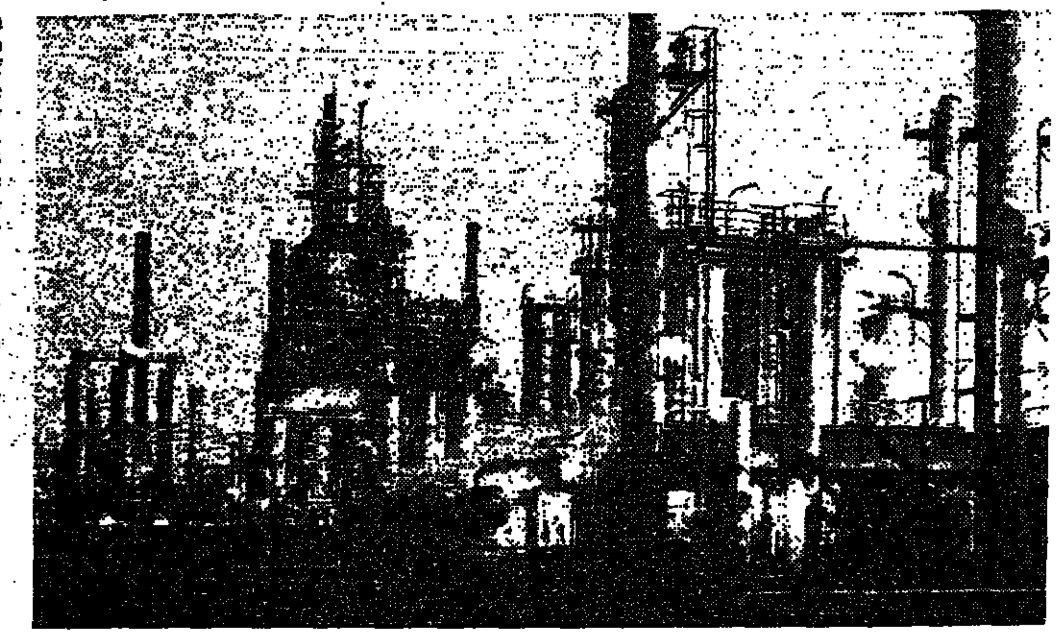
Bahrain's partner in its oil and gas exploitation—and in the recent changes, to some extent a loser—is Caltex, the U.S. company jointly owned by Texaco and Socal. From the beginning the local Caltex subsidiary, the Bahrain Petroleum Company (Bapco), has been almost synonymous with Bahrain itself. It has been the major provider of its revenue and on the reverse side, the generous and welcoming attitude towards the oil company by the present ruler, Sheikh Isa bin Sulman Al Khalifa, and his predecessor, Sheikh Sulman bin Hamed, has established the island's notably tolerant and hospitable attitude towards foreigners in general.

Hedges

Although still based at Awali, the bungalow and privet hedges oil town in the centre of the island, Bapco has a management contract to operate the oil and gas fields owned by the Bahrain National Oil Company, Banaco, which also handles local marketing. The Bahrain National Gas Company, Banagas, operates the gas liquefaction plant and is 75 per cent owned by Banaco, with the remainder divided between Arab Petroleum Investment Corporation (Apicorp) of Al Khobar, Saudi Arabia, and Bapco itself.

The refinery, which processes all Bahrain's production, is at Sitra Island, lying just to the east of the main island, and now, by land reclamation, effectively joined to it. The indigenous oil production is piped to it from the 300 wells in the field around Awali. The Saudi Arabian input arrives via two 12-inch pipelines stretching 34 miles from the mainland. With 17 miles of it under the water, it was the world's longest submarine commercial pipeline when constructed in 1945.

The take-over of this refinery—with the demise of Iran's Abadan refinery now probably the biggest in the Middle East—is widely expected to go beyond the 60:40 ownership between Bahrain and Caltex, perhaps within the next year, although everyone concerned is being discreet.



The Bahrain Petroleum Company's Sitra refinery has a throughput of 250,000 barrels per day, of which about 200,000 barrels is crude oil imported from Saudi Arabia by one of the world's longest undersea pipelines. This year the Bahrain government has taken a 60 per cent interest in the refinery, previously entirely owned by Caltex, the Socal and Texaco joint venture which has been involved in oil production on the island for nearly 50 years

Full ownership will give Bahrain useful control over the marketing of products, although Bapco could be expected to be retained for its management expertise in this field for some time. The possibilities for selling refined products in the lower Gulf area are particularly good, for, despite local oil wealth, Dubai and Oman have no refineries and Abu Dhabi will be importing refined products until its 120,000 b/d Ruwais refinery comes on stream in 1981.

Takeover

Although parts of the refinery are old and relatively inefficient, the Sitra refinery is very versatile. It can change proportions of the various products and provide a range of about 90 products, as opposed to the 12 or so which most refineries can make.

The purchase of 60 per cent of the refinery was completed by the Government neatly blending into the deal a role for Bahrain's more recent reason for renown, its offshore banks. In this way a $300m two-year Eurocredit was arranged in September. The take-over was signed in July but full details of the actual agreement are not expected to be completed before the end of the year.

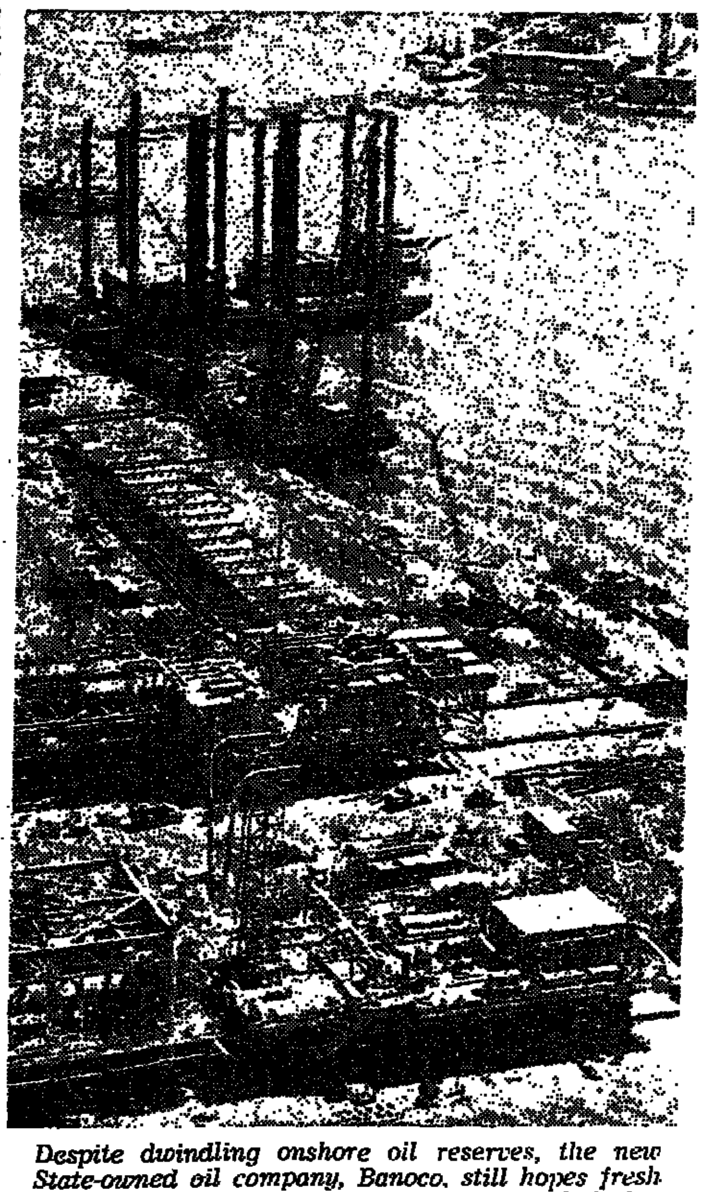
A loan is also expected to be raised in the next year to help finance the planned petrochemical plant to be built by the Gulf Petrochemicals Industry Company. Land reclamation, costing about $10m, of a suitable site near the loading jetty of Sitra refinery is expected to start this coming December, with actual construction of the 700,000 tons a year ammonia and methanol plant starting in the first half of next year.

Mr. Ibrahim Abdul Karim, the Finance Minister, said on signing the first $300m loan last month that the $400m GPIC complex would be financed by about one quarter equity (presumably shared equally between Saudi Arabia, Kuwait and Bahrain) with the balance in the form of a loan.

The confidence to obtain loans is at least partly backed by the success of such projects as the liquid petroleum gas (LPG) plant which started operating last December and looks like paying for itself in one year instead of the 3½ years projected in 1977.

The $95m plant, near Bahrain's first (and still operating) oil well a few miles from Awali, is now producing 280,000 tonnes of propane, butane and naphtha a year. The residue dry gas is being used at the Alba aluminium smelter where it is substituted for two thirds of the natural gas previously used there.

The issue of natural gas usage is at the heart of Bahrain's future energy policy. Gas reserves are estimated at 9,000 bn cu ft, with present production running at 360m cu ft per day. The major reserves lie in the Khuff zone at depths of between 8,500 and 10,500 feet, but there are smaller and more rapidly-depleting reserves in the Arab zones down to 4,900 feet. By contrast the oil deposits lie at about 2,000 feet.



Despite dwindling onshore oil reserves, the new State-owned oil company, Banoco, still hopes fresh finds might be found offshore. A seismic study is due to begin shortly and several test drills are planned

Delayed

Mr. Yousuf Shirawi, the Minister of Development and Industry, has firm ideas on the matter, arguing against the building of a liquefaction plant for LNG export. His chief uncertainty is the economics of the project, and he would like to see it delayed until the world price of gas is closer to that of oil. (At present in comparable energy terms, a barrel of oil fetches $32, while a "barrel" of gas fetches only between $6 and $7.) A Cabinet decision has been postponed until Banoco has had time to make a full study of the options.

Also in the future, there remain possibilities of finding more oil and good chances of finding further gas reserves. There have been plenty of disappointments in exploration hopes, especially in the last decade as oil production has slipped from 76,000 b/d. Hassan Fakhro, the chairman of Banoco, says a $2m feasibility study by Chevron completed this year after 21 months' work has identified substantial amounts of oil which could increase reserves by between 100m and 200m barrels.

The problem remains of recovery. Secondary recovery techniques are not new to Bahrain—gas injection has been going on since 1938, gas aeration of oil has been carried out for eight years — but Mr. Fakhro hopes for help from the Government to develop further techniques.

Another look is also being taken offshore. A full seismic study of the waters around Bahrain is expected to start by the end of this month and will be completed by the middle of next year.

Hassan Fakhro considers that for all practical purposes the offshore areas are unexplored and hopes that drilling will be attempted again soon, initially perhaps with four holes, one each, north, south, east and west of the island.

S.H.

Telephone system

CONTINUED FROM PREVIOUS PAGE

stances in the 74 countries where it has installations it says is ready for any change.

From the Bahraini side there is the obvious question of whether the government can afford to buy up some of its own national communications system as the neighbouring and richer United Arab Emirates did with their local system Emirtel. What seems most likely is that Bahrain will go for perhaps a relatively small shareholding in 1982, increasing it steadily later on in the decade. Quite apart from the political considerations, it must be convenient to have C and W bear the cost of expansion ($260m is due to be spent in the four years ending 1984).

Now that the second ground station is in operation (it connects with the Indian Ocean satellite; the first, which used to point in this direction, is now directed towards the Atlantic Ocean satellite) the next major investment internationally is in the so-called Gulf Cable. This undersea line connecting Bahrain, Qatar and the UAE has yet to be given out to tender, but is planned to be in operation by the end of 1982. The contract will be worth in the region of $60m.

Channels

When the cable is in operation it will provide a useful supplement to the tropospheric scatter stations which at present provide the short-range links with the UAE and Qatar by bouncing a powerful signal off the ionosphere. The cable project is considered worthwhile because both scatter stations and satellite stations can be subject to interference — the former can be affected by poor propagation conditions, particularly in winter. It will provide between 1,200 and 1,400 additional channels compared with only 132 each on the Bahrain-Doha and Bahrain-Dubai tropospheric scatter systems.

There are no plans as yet to increase communication links with Saudi Arabia. These are at present amply covered by a microwave (line of sight) link with Damman on the mainland coast. Any problems in actually obtaining Saudi numbers from Bahrain appear to be due to the internal congestion on the Saudi domestic system.

The international reputation of the Bahrain telephone system tends to overshadow the national system but of the current investment programme about $180m—or more than three quarters—is expected to be put into the local service. The service is also becoming less biased in favour of business. In recent years the ratio of business to residential has been 50:50; it is now more like 40:60, compared with the British figure of 20:80. The figure for Bahrain's telephones of 24 per 100 population will soon draw closer to European figures of 40 to 50 per 100 population.

Simon Henderson

Dollar expansion gives grounds for optimism

THE OFF-SHORE banking industry probably contributes more than any other part of Bahrain's economy to the position which the island now enjoys in international affairs. There are currently 54 off-shore banking units (OBUs) with total assets of well over $30bn and the sector meets a variety of needs for the banking community not only in the Gulf region but further afield as well.

The OBUs are "off-shore" not in the sense that they stand on stilts in the shallow blue-green waters which surround the island state—they do not—but rather in a figurative legal sense. They are not allowed to deal in any way with the residents of Bahrain, only excepting the Government and its agencies and the fully licensed domestic banks.

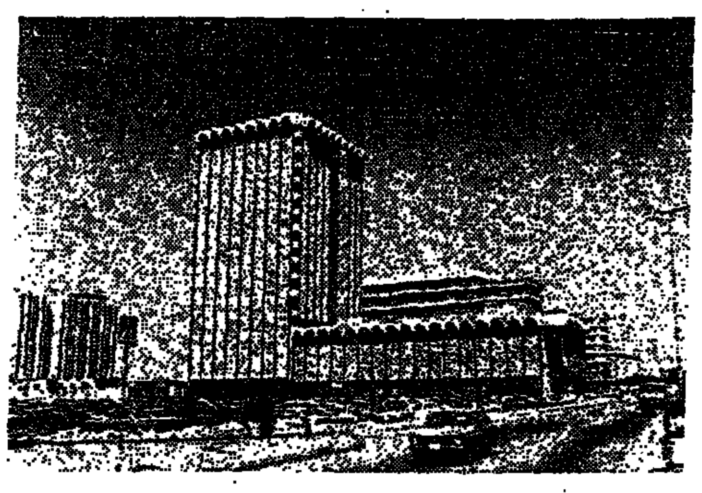
By the same token, the OBUs are exempted from the reserve requirements which the BMA applies to all Bahraini dinar and foreign currency deposits held by the domestic banks. They are not required to observe any formal liquidity ratios, though the BMA does ask that they submit statistical information on their operations each month as well as the usual audited accounts at year end. And they share in the general boon of a Gulf location: no tax on profits.

All three features of the off-shore status can offer a head start to OBUs seeking international business, for which most will be happy to go on paying a mere $25,000 per year—the cost of the annual licence fee from the BMA.

Undeniably, there are those in Bahrain's neighbouring states who are a little less happy about this state of affairs. This is hardly surprising since the OBUs have thrived in many instances by providing facilities not offered domestically in many Arab markets or else only offered subject to a host of minor inefficiencies and additional expenses.

It is not only the commercial competition but also the financial authorities of these states whom the OBUs have occasionally unsettled. Their sophisticated banking skills—making available, for example, forward exchange cover or specialised trade financing—have arguably been a critical factor in the growth of all the local economies. But few OBU bankers would pretend that they have made any easier the central management of the Gulf's regional currencies.

At times of stress, the OBUs have tended therefore to attract their share—and perhaps a little more—of adverse criticism. Whether justified or not, it has in most cases led them to adjust their business accordingly. This gradual accommodation of the OBUs' operations has been particularly apparent in regard to business denominated in Saudi riyals and Kuwaiti dinars.



Bahrain's 54 offshore banking units have helped to make the island the financial centre of the Gulf. Despite the name, their offices are fully "on shore," making use of the good accommodation and communications provided by the capital

The continuous decline of the U.S. dollar during 1979 prompted the Saudi Arabian Monetary Authority (SAMA) to allow a number of small de facto revaluations of the Saudi currency against the dollar. They were small adjustments; but they were still large enough to whet the speculative appetites of FX dealers in Bahrain whose trading profits were dwindling due to the increased competition in their market.

Open positions in the riyal grew more frequent and the volume of SR trading climbed to levels not entirely to the liking of SAMA where the internationalisation of the riyal has always been opposed.

The dollar's fortunes were reversed earlier this year and for some weeks the dollar/riyal rate remained steady despite a strengthening dollar. SAMA then took the opportunity to remind the OBUs that speculating in the riyal incurred something rather different from normal market risk—namely, the risk of arbitrary preventive action by authorities fully in control of the market. In March, SAMA perversely revalued the riyal again, as though the dollar had grown cheaper rather than dearer.

Message

This in turn made the riyal dearer, rather than cheaper as expected. Many forward exchange contracts in Bahrain were closed with sizable losses and the message was received. The OBU's trading turnover in riyals now averages $50m-$100m daily, which is far less than 12 months ago.

This change has reinforced the effect of the increased competitiveness to make foreign exchange dealing much less attractive to the OBUs than it used to be. In the 1975-79 period, all OBUs were expected to operate an FX desk. It was one way for the BMA to deter the use of OBUs simply as brass plate companies.

Now, most only trade currencies to provide cover for their lending activities. They leave the major trading activities to a handful of market-makers such as Algemeine Bank and Kredietbank (in local currencies especially) or the leading Swiss and U.S. banks.

A contributory factor in this has been the decline in the importance to the OBUs of the Kuwaiti dinar. In this instance, the OBUs have accommodated the apparent desires of a central authority opposed not just to certain specified trading activities but to Bahrain's involvement with its currency altogether.

The Kuwait Central Bank's resentment of the OBUs' dinar activities is attributable by general consent to one of those facts of Middle Eastern life known as "sensitive issues." That is to say, it has much to do with questions of pride and rivalry which should never be underestimated in the region but which have very little to do with international finance.

It has therefore been little use for bankers to protest the positive advantages, as they see it, of the OBUs being involved in the KD markets. "The sources of this dispute between Bahrain and Kuwait at a government level are something of a mystery, even to people in Kuwait," one senior Kuwaiti banker acknowldeged. "There is a misrepresentation of the facts somewhere inside the system."

Whatever the motives, successive measures by the Kuwait Central Bank over the last two years have succeeded in curtailing the OBUs' role. By August this year, the volume of outstanding business between Bahrain and Kuwait was estimated at about KD150m ($560m) only. Since then, Kuwaiti banks have been told that all business with the OBUs (or their parents) must be reported and that undue levels of business may prejudice a bank's access to essential swap arrangements with the Central Bank.

Other factors of a less arbitrary nature than central bank policies have also worked against an increase in the OBUs' Gulf currency business. Conditions in the domestic economy of the UAE and the huge number of banks resident within the emirates, for example, have resulted in there being very little dirham business for the OBUs in 1979 or 1980.

Reacted

These circumstances help explain the limited portion of the OBUs' aggregate balance sheet which is denominated in regional currencies. They have consistently made up only about 25 per cent of the total (with Saudi riyals easily predominant in this). It is a major reason, say Bahrain bankers, why the OBUs have reacted with conspicuous calm to the scare of a major Gulf war.

Above all, though, it is the continuing success of the OBU sector in expanding and diversifying its dollar-based business which accounts for the fact that two thirds of the aggregate balance sheet are dollar-denominated.

The variety of banking services now available from the sector is impressive. Some OBUs concentrate on running short-term loan portfolios, funding them in Bahrain and dealing with customers from most parts of the Arab world. Others run international portfolios which are used by their parents to book dollar credits from all over the world.

Providing forward exchange in the yen/dollar market is a relatively recent activity which has grown quickly. Many Gulf merchants importing from Japan with future invoice dates have now accepted the desirability of forward cover.

The market for syndicated performance and advance payment bonds is also flourishing and attracting new participants. Future developments now being prepared include electronic banking and computerised card facilities, where the U.S. banks have a clear lead.

There may be noises off-stage—but so far as the OBUs in general are concerned, new markets such as these and the continuing potential of their main traditional businesses are ground enough for an optimism which is quite evident in the sector today and which the Iran-Iraq war has done nothing to dispel.

Duncan Campbell-Smith

Return of confidence to banks

DOMESTIC banking in Bahrain, as elsewhere in the Gulf, has laboured in a difficult climate for much of the last 18 months. But with the easing of international rates earlier this year, confidence has returned.

A general feeling of reassurance that the authorities were able to weather that storm as successfully as they did has now been strengthened by confidence in the island's calm view of the Gulf war.

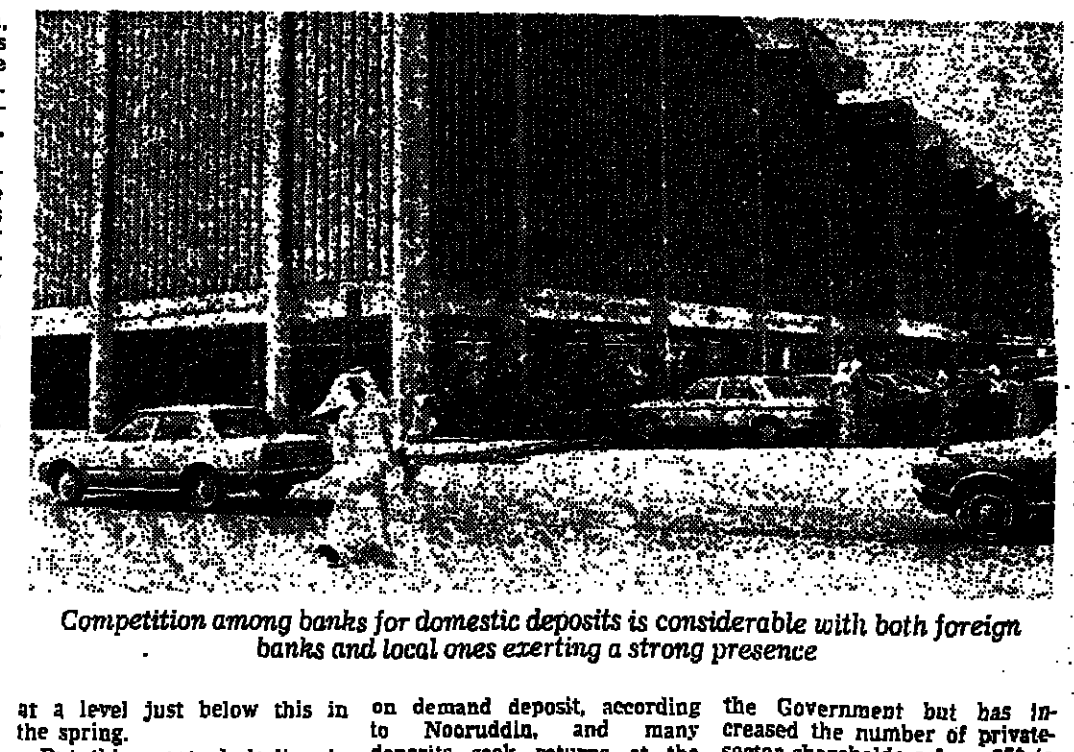
Twenty commercial banks dominate a thriving financial structure which in addition to the offshore banks (OBUs) includes eight investment banking companies (known locally as IBLs), six international money brokers and two specialised banking institutions, as well as more than 40 representative offices.

The statistics of the recent liquidity crisis were not much different in Bahrain than elsewhere in the Gulf. Advances to the private sector rose to 110 per cent and more of deposits, for example. Six-month rates in the interbank markets rose as high as 14 per cent.

It is notable that the Bahrain Monetary Agency (BMA) responded not only with dinar injections through swap arrangements but also by discounting ALBA and Banoco promissory notes.

The BMA also raised domestic interest rates discreetly, "recommending" that deposits should earn 8 per cent for one month and 10 per cent for 15 months at the peak. But revaluation was avoided, even to the small extent accepted in neighbouring Qatar and the UAE.

Deposit rates have now come off ½ per cent and the growth of advances has tailed off. They grew steadily from March, 1979, to January this year, taking the aggregate of advances and credits from BD 351.23m ($929.2m) up to BD 409.89m ($1,084.4m), before stabilising at a level just below this in the spring.



Competition among banks for domestic deposits is considerable with both foreign banks and local ones exerting a strong presence

But this eventual decline in loans came only after some months during which the Bahrain banks saw an absolute decline in deposits. Private domestic liquidity (that is, money and quasi-money) showed a net growth over the whole of 1979 of only 2 per cent, as compared with 14 per cent in 1978 and 17 per cent in 1977.

Effects

Nooruddin A. Nooruddin, general manager of the National Bank of Bahrain (NBB), notes two lingering effects of the 1979-80 squeeze. The first is a deterioration in the loans/deposits ratios of the main local market banks. The second is a heightened awareness amongst customers of the interest rate structure.

Less call money is now kept on demand deposit, according to Nooruddin, and many deposits seek returns at the highest point on the yield curve.

When it is also considered that the number of commercial banks in Bahrain has risen from eight to 20 in a few years, the competition for this domestic deposit business is not surprising. It continues to be dominated by the quartet of Bahraini and British banks which figure prominently in most areas of Bahrain's retail banking—NBB, Bank of Bahrain and Kuwait, British Bank of the Middle East and Chartered Bank—but others including Citibank, Chase Manhattan, Arab Bank and Algemene Bank Nederland have also exerted a strong presence.

NBB has undertaken a rapid expansion of its branch network: it opened three new branches in August, bringing the total to 14 and plans a further two by the end of this year. The bank is still 49 per cent owned by the Government but has increased the number of private-sector shareholders from 250 to 500.

The mix of business enjoyed by the NBB and its competitors has not changed much in the past 12 months. Despite a drastic slowdown in construction projects in the public sector over the past couple of years, lending here has remained at just below 40 per cent of the aggregate commercial bank assets.

No doubt this partly reflects continuing construction activity in the private sector and the retention in many bank portfolios of real estate project loans which may linger for a while longer yet.

Some bankers look forward to a revival of lending to the public sector to help finance new projects such as the Arab Iron and Steel Company and the Gulf Petrochemicals Company. Others

CONTINUED ON NEXT PAGE

Experiment of offshore company going public

THE BOLDEST venture so far in the three-year history of Bahrain's offshore company experiment is the floating of a public joint stock company to manufacture a product Bahrain cannot use, on land which still has to be reclaimed from the sea.

The Arab Iron and Steel Company is the first industrial enterprise to apply for offshore status, and the first to be allowed to go public since October last year. It *plans to build a* $300m pelletising plant on a man-made island near the ASRY dry dock. with a production capacity of 4m tonnes a year. The raw material comes in as "blue dust" —iron ore in the form of fines —and goes out to steel plants as little iron pellets. Development Minister Yousuf Shirawi keeps a jar of them on his desk, to avoid complicated explanations.

A *total of* 56 Exempt Companies (ECs) were registered with Bahrain's Ministry of Commerce and Agriculture by mid-September, and another 30 or *so were under review—15 of* them as public joint stock companies. Under regulations introduced in November, 1977, ECs can enjoy the tax advantages of incorporation in Bahrain without conceding control to local shareholders or paying dues to sponsors or agents, provided they do not compete in the local market. They are thus "offshore" in the same way as the offshore banking units (*OBUs*) *which have brought* Bahrain into the limelight as a financial and business centre.

They pay an annual registration fee to the Ministry of Commerce of BD 2,500 ($6,600), except in the case of public *joint stock* companies where the fee was raised to BD 10,000 ($26,500) in July last year. A surety of between BD 5,000 and BD 20,000 must be lodged with *the* Bahrain Monetary Agency to help pay off local creditors in the event of liquidation.

Stipulation

A stipulation of the EC regulations is that the company *should maintain a fully staffed* office in Bahrain; the Ministry does not wish to encourage brass plate operations of the kind seen in the Caribbean offshore centres. But while most of the closed companies have established a real presence on the island, the handful of public companies incorporated last year have been slow to comply. There are several elegantly furnished office suites which seem *to function mainly as a base for* occasional directors' meetings.

The attraction to foreign companies of setting up in an offshore centre where the licence fee is the *only form of tax* needs no elaboration. Bahrain is geographically well-situated to serve the whole Middle East region and enjoys good com*munications and a relaxed way* of life. It also has a reputation for cutting red tape to the minimum and encouraging private enterprise.

In return the ECs utilise office space and hotel rooms for their business visitors. They employ a growing number of local staff. They deposit their assets in Bahrain-based banks, *either domestic* or offshore, and bring business to accountants, auditors, lawyers and insurance agents. Above all, perhaps, they contri*bute to the image of Bahrain* as a thriving commercial centre —which indeed it is, out of all proportion to its size and wealth.

The first ECs to be registered in March, 1978, were two banks, Gulf Riyadh and Arab Bank (*ME*). They *have since* been joined by four more—European Arab Bank, Al-Bahrain Arab African Bank (ALBAAB), Trans-Arabian Investment Bank (*TAIB*) and *United Gulf* Bank. All have been granted OBU licences by the Monetary Agency. Prominent names in the financial sector include Kleinwort Benson. Citicorp, BAII-Hill Samuel Corporation, European Arab Finance Company, and Arab International Projects, majority-owned by public accountants Talal Abu Ghazaleh.

The range of activities among ECs could not be more catholic, covering business development, management and consultancy services, shipping, freight forwarding, engineering, equipment leasing, aviation, computer services, catering and general contracting. There are specialist firms like Chemsult Analysts, which tests engine oil samples, and Inco Gulf, which has contracts in Saudi Arabia to advise *the Red Sea Commission on* mineral deposits and the Saline Water Conversion Corporation on ways of arresting corrosion. A Canadian company, operating *in Bahrain as Sprung Instant* Structures EC, has provided the island with a temporary exhibition centre, under a special dispensation permitting local trade when it is in the national interest.

Inevitably there have been one or two drop-outs, attributed either to rationalisation of company activities or to misunder*standing of the EC concept.* Technal International of France, for example, has sold its Middle East licences to Balexco and is to wind up its subsidiary, *Arabian Technal EC, after un*successfully using French staff to sell its architectural systems in the Arabian peninsula.

But the only real failure has *been Gulf Integrated Shipping* and Supply Company (GISSCO), a joint venture between the head of a Bahrain construction company and a British manager. *The company went out of busi*ness less than a year after starting operations, with debts estimated at BD 250,000 ($660,000), and Gulf importers battled for weeks to retrieve their cargo from a chartered ship arrested in a Greek port.

Since then the Ministry has required half-yearly instead of yearly financial returns and favours applications where the list of founders includes well-*established companies or finan*cial institutions.

Prestigious

Until a year only five ECs had been granted permision to go public; the first two share issues *were comfortably covered* without causing a stampede of eager investors. Al-Jazeera Contracting Company, whose list of founders is stiff with prestigious names from Saudi Arabia, Kuwait and other Gulf States, put $29m of its $52m capital on the market in November, 1978, and International Arab Development Company, also *with very sound backing, offered* $27m out of a total capital of $32m. In the latter case there was comment at the time that the founders had not put in *enough funds themselves to* inspire confidence.

Then came three companies in the financial sector, all heavily backed from Kuwait, and the picture changed dramatically.

In May the $100m Pearl (*Lulua*) *Investment Company's* offer of 20 per cent of its capital was 106 times oversubscribed. In July the $75m Gulf Union Insurance Company's much smaller issue—only 8.5 per cent of the capital—was covered 338 times. On the Kuwait stock *exchange the* EC shares were in such demand that fortunes were reportedly made overnight, and Bahraini punters, barred by the EC regu*lations from putting* in applications, could only watch in envy or buy a "name" in another Gulf State.

Despite an official requirement *for a 5 per cent cash deposit* on applications for shares in the next issue, from the $125m Gulf Investment Company, the $25m on offer was ludicrously over*subscribed by a factor of 1,263.*

In each of these three share issues paper credit facilities made possible a huge stagging operation in which shares were sold on the Kuwait market at several times their face value even before they were allocated, and the three Bahraini banks handling the subscriptions made unprecedented windfall profits on the *interest earnings. But* some bankers began to voice fears that Bahrain was attracting the wrong type of investment, and the Monetary Agency caled a halt to what it regarded as undesirable speculation.

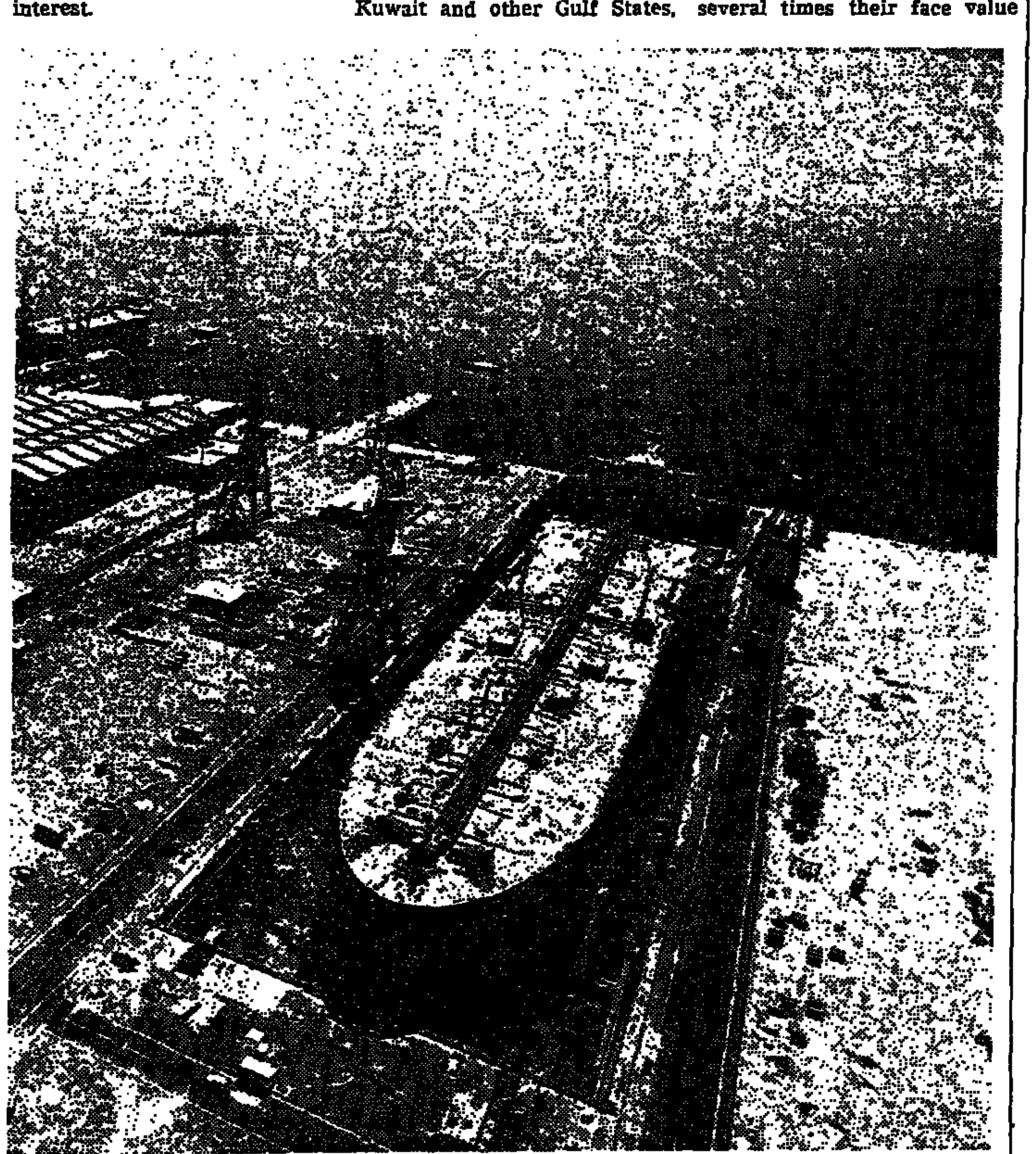
The Kuwaiti authorities also reacted. with a ban on the official listing of Gulf companies on the Kuwait stock market; this made little difference to the trading of shares. They have since laid down stringent conditions under which such companies could be accepted—but few could in fact qualify.

The restriction on floating offshore public joint stock companies was relaxed only in *September, with the stipulation* that share applications should be backed by a valid passport. As a result three ECs, led by Arab Iron and Steel Company, have gone to the market over the past few weeks. With *an authorised capital of* $150m, of which $80m has been issued, Arab Iron and Steel has collected $32m from its founders, which include Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC), Kuwait *Metal Pipes* Company, and Government and private intersts in Iraq, Bahrain and the UAE. It thus needs to find another $48m, of which has is to be paid up initially. The issue was covered 42 times.

Assurance

The *Arab International Insur*ance Company, seeking only $2.5m *from* an issued capital of $6m, proved particularly attractive to investors, and the *oversubscription* ran to *100s* although there was not the feverish excitement of last year. The third share issue, for Con*solidated Gulf Services and* Industry, promoted by 12 Filipino companies in the oil exploration, contracting and management field is due to take place later this month. The founders, including investors *from Kuwait, Bahrain and the* UAE, have taken up three-quarters of the issued capital, leaving $25m for public subscription. The assessment of this *series of public subscriptions* will no doubt decide the fate of other applications for public

Mary Frings



For a long time the dry dock was Bahrain's most ambitious land reclamation scheme. Now it is planned to build a £300m iron pelletising plant—itself an offshore company—on more land to be reclaimed from the sea

Banks' confidence

CONTINUED FROM PREVIOUS PAGE

caution that in view of the new level of oil and gas income, some large projects will have only very short-term borrowing *requirements*, if any at all.

Contribution

The Bahrain Natural Gas Company, *for example*, opened its new plant in December 1979 with a capital investment of $95m—but it hopes to recover its total capital costs within 18 *months of starting operations.*

Trade remains the second main area of bank lending, with the emphasis on letters of credit and short-term financing for importers. The unaudited results at NBB for the first half of 1980, *for example*, show L/C commitments at BD33.2m ($87.8m), almost twice the level of the year before. It is difficult to quantify the contribution made *here by goods coming in* for re-export to Iran, but most local observers consider it substantial.

One feature of the last year which has drawn much comment in Bahrain is the progress being made with the training of local Bahraini executives. Their prominent role in the domestic banks is already striking, which owes much to the contribution in particular of the training schemes of the big U.S. banks. Citibank alone estimates that it has trained about 35 of Bahrain's senior bankers.

It is a contribution appreciated by the BMA. Its Director General, Abdullah Saif, notes in particular that Western bankers in Bahrain took the initiative to develop a banking college even before this step was confirmed by the Government as another off-shoot of its own High Council for Vocational Training. Similarly, Bahrain's OBUs are also participating in the new venture, *though the law govern*ing the college does not actually require them to do so.

The first director of the Banking College is Mr. Gerald Kangas, *who was formerly the* head of Citibank's training course in New York. The staff, administrative location and precise curriculum are now being settled and it is hoped *that* courses will begin early next year.

With an annual budget of about $400,000, the colleage is aiming to provide courses for 280 participants in its first year, *which is no less than 10 per* cent of all the Bahrainis employed n the banking sector.

Two years ago, 35 per cent of the staff in Bahrain's banks were Bahraini. By the end of 1980, this figure will have risen to 50 per cent.

If the college can help ensure the hgh quality of this domestic banking expertise, then banks operating in Bahrain will enjoy staff costs far lower than those found elsewhere in the region; and this should make a significant contribution to maintaining the island's lead in the Arab banking sector.

D. C.-S.

Resentment over increases in war-risk premiums

ARABS ARE OF a conspiratorial frame of mind, yet it was not their love of the unseen *hand manipulating affairs but* an almost Egyptian sense of humour that prompted the best joke about the bitter and divisive Gulf war. "I tell you it is not the Superpowers or the CIA that is behind this war." said Mr. *Habib Kassem*, Bahrain's Commerce Minister. "It is Lloyds."

In common with most Gulf states, hungry for every kind of import, Bahrain *has watched* with growing resentment the gradual raising of war-risk premiums for cargo and hulls since the London underwriters group, *which has an indirect* interest in nine out of every 10 Gulf-bound vessels, first declared the Gulf a war zone last November.

At the time, insurance men reckoned that the cost of freight in the Gulf had been increased by between $1 and $10 a tonne and Bahrain has been feeling the effect in higher food prices and problems for its maritime *industries*. notably the Arab Shipbuilding and Repair Yard.

In April the war-risk rating committee of Lloyds once again raised its premiums. At the *outbreak of fighting* between Iran and Iraq in the last week of September, Lloyds increased cargo premiums to the belligerents by 300 per cent and *announced that a hull premium* for all vessels in the Gulf of 0.1 per cent was to be negotiated every seven days.

Steep costs

The new rates came into force 72 hours' steaming time *outside* the Strait of Hormuz, with the result that large numbers of vessels (as many as 40 in the second week of the war) were waiting just south of the *24* degree North line. For those vessels already at Bahrain, the extra costs were steep. For tankers at the Bapco refinery pier, hull charges of up to $20,000 per seven days were added while a large tanker at the Arab Shipbuilding and Repair Yard, the Bremen, was paying an extra $80,000 a week (or $160,000 for eight days) for *hull cover*.

By the third week of the war, Lloyds' rates stood at 0.5 per cent for cargo and 1.5 per cent for hull.

Any argument from the Gulf states against the extra war-risk *premiums would appear to* have been silenced by the actual outbreak of fighting. But insurance men in the Gulf suggest that the war has proved that it is mere panic to lump all the Gulf *states together since, for all the* chaos in the Shatt Al Arab, the lower Gulf was quiet and shipping in the Strait of Hormuz was unaffected.

There is a general feeling, too, that the Gulf was being overcharged long before. In the words of one Bahraini insurer: "The *war arrived* as a Godsend to Lloyds." Leaving aside the foolish nationalism of Kuwaiti and Saudi Press comment on the subject, Mr. Kassem is right to *note "that for some time there* have been different price scales for Western contracting and exports here, so why not insurance?"

Equally, it is worth remembering that a general hull war-risk premium of 0.2 per cent in 1972 had dropped to a tenth of that by the mid-1970s because of fierce syndicate competition. The declaration of the Gulf as a war zone last November may well have been, in Mr. Kassem's words, "an attempt, perhaps, to recoup losses from *elsewhere in* the world."

What is certain is that the bitterness and anxiety unleashed by the war will remain with the Gulf for the foreseeable future and that the local insurance companies *will have to go out* themselves and look for business if they believe rates are unreasonable.

Last February, stung by Lloyd's additional premiums, the local Gulf companies *announced the formation of the* Arab War Risks Syndicate. The syndicate includes the three major Bahrain companies — Bahrain Insurance Co., Al-Ahlia and Bahrain Kuwait Insurance Co.—among its 30 or so members and is to be managed from Baghdad by the Iraq Re-insurance Company, the doyen of *Arab insurance*. It is due to open for business on January 1.

Officials of the member countries insist that the syndicate will make its own assessment *of the war risk and will* be able to negotiate re-insurance rates from a position of strength. On the basis of its cover for riot, civil commotion and war risk for *hulls and cargo* in the Gulf, the syndicate estimates a premium income in its first year of $11.7m.

At the same time, notices have been sent out that Arab-owned tanker war risk would *be taken over by the syndicate* from the start of next year. It is one of the ironies of the insurance world that a four-man committee from the syndicate was in London to negotiate *re-insurance facilities* when the war broke out and the group failed to reach any agreement. Yet, insurance men in the Gulf say that the syndicate will still start underwriting on January 1.

A potentially greater force is the Arab Insurance and Re-insurance Group, which was established as an Exempt Company in Bahrain in April. While it sprang into being from the same mixture of commercial sense and piqued nationalism as the syndicate, ARIG eventually will have assets as great as *those of Lloyds and* could, if it so desired, substantially undercut the world re-insurance market. Certainly, ARIG is the first serious Arab effort to *capitalise insurance* locally, rather than to export risk to London and elsewhere.

Suspicion

The founding states, Kuwait, Libya and the United Arab Emirates, will take up the $3bn authorised capital in equal *shares with some 5 per cent paid* up at first.

Inevitably, with such a grand capital base and the usual suspicion of the Libyan Government's *intentions, there have been the* same fears of undercutting voiced by Western insurance men as by Western bankers over the $1bn Arab Banking *Corporation, another* Bahraini EC with Libyan participation. In fact, the gifted Libyan banker Abdullah Saudi is a dominant figure in both *ventures*.

But Bahraini insurers point out that ARIG's main intention is not to undercut Lloyd's, or even yet to compete with it, but *merely to garner Arab business* for Arab insurers. Although ARIG has now rented an office and is due to open for business next year, a shortage of Arabs *trained in insurance will impede* its growth.

In the view of one insurance man, it will be 10 years before ARIG can play a truly international role. In the shorter term, it will be crucial that Saudi Arabia joins the venture but this may be delayed by the kingdom's uncertainty about the *religious status of insurance*.

Even so, the three Bahraini onshore companies are happy about the establishment of ARIG and look forward to considerable facultative business from the new group. To date, their growth has been steady and sometimes spectacular. *Al-Ahlia, which was founded in* 1976, paid out dividends of 45 per cent of the authorised capital in three years. The actual capital of BD1m was 11 times oversubscribed but has never been paid up in full.

As in so many sectors of business, Bahraini insurance has profited from the relatively high level of education and skill on the island. Up to the mid-1970s, the business available on Bahrain was too slight to attract *the larger houses from London* and the local firms have secured the bulk of the contractors' cover and hotel insurance since then.

They have also profited from a de facto Government rule that new business be placed at home. Although cover from the pioneering aluminium industry, *ALBA, was originally placed by* Willis Faber in London, it is now insured by the three. Cover for ASRY is provided according the equity share of the Arab *countries taking part*, with the Bahrain companies handling nearly 20 per cent of the insurance. The companies can also look forward to insuring the *Government's new 60 per cent* stake in the refinery at Sitra.

Oversubscribed

The Government remains somewhat *suspicious* of collusion between the three firms yet an attempt by the *State-owned* National Bank of Bahrain to set up an insurance division has been a failure, at least in part, through the hostility of the local market. Recently, a *Kuwaiti*-dominated venture, the Arab International Insurance Company, floated a $2.5m share issue for a $10m offshore company. As usual, it is expected to be oversubscribed—and by up to 100 times.

The Bahraini insurance companies hope to pick up considerable contracting business from the causeway project as it *gathers momentum over the* next two years. Another growth area is the re-insurance opportunities from new public works in Saudi Arabia, which remains as "*under-insured*" as it is "under-banked."

The Bahraini firms are already doing considerable facultative business with Kuwait, *Abu Dhabi* and *Qatar* and should be well placed for further re-insurance from the kingdom as the Saudi Government turns increasingly to local sources.

James Buchan

Expatriates: good living at a price

LIFE FOR a Western expatriate living in Bahrain has undergone a marked change during the past 18 months: gone are the *days of "making your own* entertainment" and "making the best of a hard life." The Westener now wants for nothing, but he has to pay and *the cost is becoming steep*.

Huge supermarkets appear to *spring up overnight, threatening* the traditional Arab corner cold stores where shopping for fresh vegetables was once fun. With three new hotels scheduled *to open within the next six* months, Bahrain is about to suffer a surplus of hotel rooms and the accompanying bars and restaurants. The quality of life *is improving but it is tending* toward the clinical—"When you get down to it it is really very superficial," said one American banker. "What we really have *to ask ourselves is 'Do we need* it?' There are so many clubs, restaurants, bars, supermarkets and sports facilities that Bahrain is now no longer novel."

The pioneering spirit is gone now the living is comfortable *and clean, but many companies* are reporting difficulties in recruiting staff from Europe and America. Despite the recession in Britain, fewer people are prepared to work in Bahrain, largely as a result of ignorance. The Gulf is *still thought of* in terms of being a cultural, if not literal, desert. Western newspapers have made great capital out of the Iranian revolution, the occupation of the Grand Mosque in Mecca, Bahrain's civil problems *and the* Iraq-Iran war, but Bahrain's Western expatriates laugh off any suggestion that they are living in a "risky" country.

There has been no rush to man the lifeboats and in general life goes on unchanged. In the eyes of the Western press, the Gulf is a *crucial* area, an unstable region with a low flash-point; to the Western expatriate it is a place in which to do a job of work for two or *three years*, save a little money and have a good time. Iran could be in another world altogether.

But despite the easy life, some aspects have become harder to live and work with.

British expatriates are being hit very hard by the cost of *sterling. Since the beginning of* the year the Pound has gained 10 per cent in value against the Dollar and since the Bahraini Dinar is fixed to the Dollar it *means Britons have suffered* a drop in real salaries. This adds up to tighter budgets as housewives try to meet the increased cost of imported foodstuffs and *consumer goods. Higher mort*gage rates and inflation in double-figures at home in Britain means more money has to be remitted every month to *pay for standing orders in* British bank accounts.

However, more and more Britons are making the most of their "non-resident of Britain for tax purposes" status. Bahrain's investment consultants and bankers are having a field day funnelling savings into attractive Channel Island accounts.

Few expatriates put their *savings into* accounts in Bahrain; the returns are low and there is always the danger that Bahrain's stability could collapse, although few like to admit it. Dollar and sterling accounts in the Channel Islands are *popular* and *consultants* have witnessed a big increase in the number of expatriates taking advantage of these facilities.

Ignorance

"People are saving less now than they were a year ago," said one British investment adviser, "but more and more people are investing intelligently. Many expatriates come to Bahrain in ignorance of what they can do with their savings. It's a *comedy of errors*, so many people arrive after being totally misinformed by their local bank manager at home. We have been trying to teach people what they can do with their money and so far we have been very *successful*."

Advertisements in the local Press extolling the virtues of fixed-term deposits abroad at between 14 and 17 per cent are working and expatriates are beginning to take notice, but some Westerners still float around in blissful ignorance. *One banker tells of* a Briton who came to him with an armful of Premium Bonds: "I told him to cash them and get 16 per cent in Jersey. . . . After all, *that's where I'm putting my* money."

Most Western expatriates send varying amounts of cash home each month. With Bahrain's European and American contingent standing at 11,380 at *the last count in 1977*, this adds up to a lot of invisible earnings for the European and American economies.

Although the desire to invest *wisley is on* the *increase*, a greater amount of money is being spent in the supermarkets and suqs on consumer durables. Electronic hardware, *especially Hi-Fi units and video* cassette recorders, are among the more popular, but there are pitfalls. One VCR retailer is tired of telling prospective *customers that the video* machine they buy in Bahrain to take home will not work unless it is modified. "The price is right and they think they have got a *bargain*, but machines made for the Gulf will not television," he said.
record programmes on British

Cars are also a popular investment: the latest Datsun 280ZX sells in Bahrain for around *BD4,500 (£5,060)*, compared with around £9,000 in Britain. For many expatriates the alternative of claiming a car allowance instead of a company vehicle is attractive. At the end of a two-year posting they can *ship the vehicle back to Britain* knowing they have paid very little for it. Mercedes, BMW and Porsche models are also appreciably cheaper in the Gulf and already specialist companies have been set up catering for *the supply and* re-export of expensive marques to Europe.

The standard of living and the improving quality of life may be one reason why many expatriates are electing to stay on at the end of a two- or three-year tour of duty. *Some Westerners* who change jobs and go on to a local contract remain without too large a drp in salary, but they suffer by losing such benefits as paid housing assistance with school fees and annual leave *tickets. School fees* can be a big headache for many young families.

The American school now charges BD436 a quarter in fees with the cost of books and stationery excluded. Last year the fees were increased by 50 per cent without any warning and they are quickly catching up on the cost of some *British* public schools. However the standard of tuition is good, with two systems—American and British—available.

Surplus

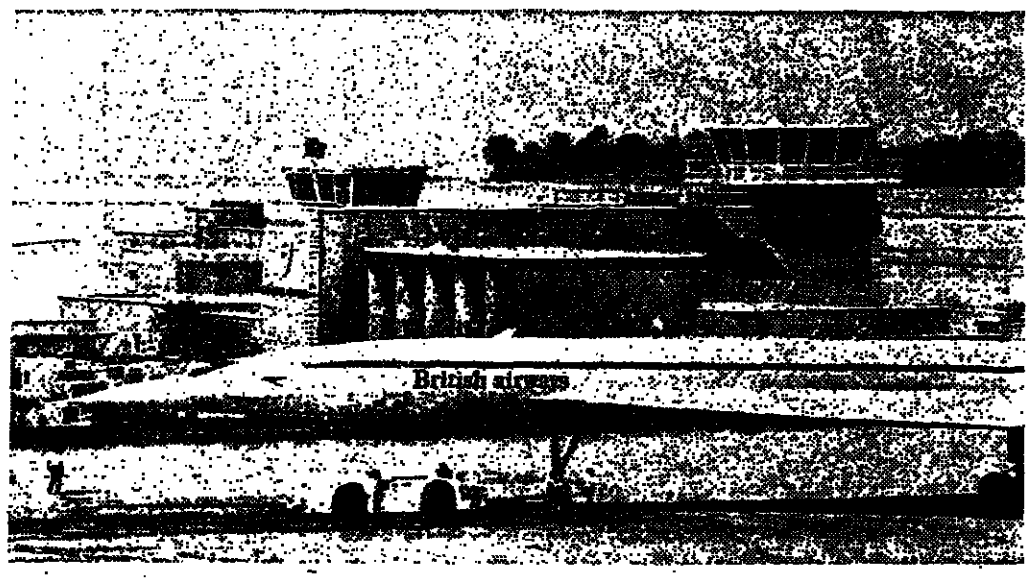
Accommodation is now fairly stable with the large over supply of the past two or three years largely being eaten up. Luxury two- and three-bedroom apartments are snapped up almost as soo nas they come on the market but there is *still* a surplus. However villas are harder to find: 10 Japanese bankers arrived in Bahrain recently trying to find luxury villas and several of them are *still* looking hard.

The question at the back of *most minds* is the Saudi/Bahrain causeway, but few people think it will make much long term difference to life in Bahrain. There are fears that Bahrain's liberal *drinking laws* will be tightened up leading to a "dry" *state or* that hordes of Saudis will descend on the island for a weekend of the "high life." But if Saudis were so inclined they would already be making use of the *20* daily "airbridge" flights to and from Dhahran on *the mainland*.

Among Bahrainis the feeling *is that the causeway* will push up land prices and result in increased rents, but the Government intends to prevent the economy overheating as it did after the *1974 OPEC* price rise. "I don't think it will have a major long-term *effect* on office rents, but in the short term apartments and offices could become more expensive," said one English Real Estate specialist.

Ian Wilson

Increasing traffic expected to replace Concorde's loss



Concorde at Bahrain: an aircraft hemmed in by restrictions

AN IRKSOME FACT of life for Bahrainis is that most foreigners first become aware of their country because of its airport—a major transit stop to and from the Far East. It was therefore a considerable boost when British Airways introduced its Concorde flights from London, showing the world that Bahrain was also important enough to merit such a service.

Quite where the country stands on this particular scale of values at the end of 1980 is a little in doubt. Concorde services to Bahrain and onward to Singapore were suspended from November 1, and although Bahrain is still the most important transit stop in the Gulf, it is facing increasing competition from other airports, particularly in the United Arab Emirates.

But there appears to be no pessimism in the view of Sheikh Isa bin Abdullah Al-Khalifa, the Director of Civil Aviation. He is not surprised that Concorde was withdrawn because he says it was losing too much money. "It was an aircraft hemmed in by restrictions. No one wanted it to fly supersonically over their country. Besides, in the immense heat of the Gulf during summer, a limit had to be pu. on the number of passengers it could carry."

He is not worried by the loss of traffic. He wants to keep roughly the same number of airlines using Bahrain (at present 26) and is confident that the lost six Concorde flights a week will quickly be made up for by expansion of the services of these airlines. Besides conventional flights by British Airways and Singapore Airlines which together had operated the Concorde service, other airlines using Bahrain include Qantas, Cathay Pacific, Pan Am and UTA, the French airline. The traffic is large enough: Qantas alone has 20 flights a week, all Boeing 747s.

"With the development of the Gulf, and especially in the next couple of years when work on the causeway between Bahrain and Saudi Arabia is due to start, there will be more and more traffic. Bahrain (which serves as the air traffic control centre for thet southern Gulf area) is already the link between the states of the region," he says.

In the short term, though, Sheikh Isa has other things on his mind. He is having to prepare his defences against British and Hong Kong commercial airline pressure to allow pick-up and set-down rights in the Gulf on new cheap flights to and from Hong Kong, which would seriously undercut Gulf Air's rates. Also, even without Concordes, the present terminal facilities are only just coping with the traffic, which sometimes involves having six wide-bodied aircraft on the ground at the same time.

The issue of cheap flights is likely to be the main battle for Gulf Air — the airline owned jointly by Bahrain, Oman, Qatar and the United Arab Emirates — over the next year. Sheikh Isa is involved because Bahrain is Gulf Air's main base, and although in favour of cheaper flights for passengers, he is firmly against the idea that British Caledonian, Laker Airways, or Cathay Pacific should "skim the cream" from Gulf Air's revenue, as he sees it.

Facilities

His greater concern, though, is actually dealing with the passengers using the airport, which are expected to total 3m this year. The catering facilities are now providing 11,000 meals a day, though they were intended to produce 9,000, and it is probably just as well that more passengers do not actually enter Bahrain because the passport, customs and baggage-handling facilities remain relatively small.

One improvement in the past year is the bringing into service of a LOPAC system (Load Optimisation Passenger Acceptance Control) which uses a computer to process passengers checking in.

For all its reputation Bahrain airport is a comparatively simple installation. It used to be an RAF staging post until Britain withdrew in 1971 and indeed the old two-storeyed control tower of those days still stands. The single runway stretches all the way across the island of Muharraq, which lies just to the north east of the main island and which is connected to Manama, the capital by a mile-long causeway.

At present the terminal building has four airbridges (the tubes extending all the way to the aircraft's door) and room for two other aircraft unloading on to buses. An expansion programme already under way will provide, by completion in December 1981, a further airbridge, another parking bay for a Boeing 747, as well as more offices and an extension to the transit lounge.

A further expansion programme is due to start in 1982 or 1983. Under a survey conducted by British Airports International, which is owned by the British Airports Authority and International Aeradio, the operator of Bahrain's flight information centre, an expansion plan for the next 15 years has been worked out.

The cost of this development, about BD 17m (£19m), at current prices, is to be shared with Kuwait, which has agreed to provide soft loans. Kuwait also paid for the BAI survey. The development is expected to double facilities in all sectors—aircraft parking spaces, passenger handling capability, and cargo handling. Some of them will be built on land reclaimed from the sea.

At present there is no intention to build a second runway but it is intended to strengthen the taxiways so that aircraft could land on them in emergency, for example, if an accident put the main runway out of action. This happened in March this year when two tyres burst on a TriStar as it was taking off. The airport was closed for 4½ hours and 12 flights had to be diverted.

The present limited parking and the single runway is one of the reasons why Sheikh Isa does not encourage private aircraft to use Bahrain airport. Aside from Gulf Air, only the Jordanian charter service, Arab Wings, bases some of its aircraft there.

He sees the airport as a public service "like the bus service or the water supply," and is happy enough if each year it only makes enough to pay back its loans. But he also hopes that people will start coming to Bahrain not just to use its airport, but to see the country itself and enjoy its relaxed and friendly atmosphere.

Simon Henderson

Gulf Air consolidates its gains

GULF AIR celebrated its 30th anniversary this year and it was a time for well deserved self-congratulation. The airline, which since 1974 has been jointly owned by Bahrain, Oman, Qatar and the United Arab Emirates, has come a long way since it was founded in 1950.

At the beginning it had just one propellor-driven Anson aircraft. Now it has seven Lockheed Tristars and nine Boeing 737s and is expected to announce a small profit for the second year running. Further, it has gained a reputation for the high standard of its service.

But with this full maturity there is a realisation that growth, particularly in the boom years since 1974, may have been almost too fast, and a period of consolidation is called for. Also the airline is facing strong competition from others outside the region which can undercut its prices, if given a chance, on its main international routes to London and Hong Kong.

That chance is, at present, a matter of dispute. Earlier this year the British Government granted licences to British Caledonian and Laker Airways to operate on the London to Hong Kong route, joining British Airways and Cathay Pacific. Laker last month was still trying to obtain a licence at the Hong Kong end of the route, but, meanwhile, the Civil Aviation Authority in London had adjudicated that the transit points in the Gulf should be Abu Dhabi for BCal, Bahrain for Cathay Pacific and Sharjah for Laker.

However, whatever is decided in Hong Kong or London, it is still necessary to receive approval in the Gulf States themselves.

Such a dispute strikes at the heart of Gulf Air which, although not a member of the International Air Traffic Association (IATA), keeps very much to its full fare price levels. It is also bound to revive the friction between the four national shareholders which surfaces from time to time as rumours that the airline is about to break up.

On the issue of set-down and pick-up rights for allcomers (which is what the British airlines want to start doing, almost certainly at cut-price rates) Bahrain stands at odds with the UAE. The former is fully aware of the cost of this competition to Gulf Air while the latter is tantalised by the prospect of greater use of its several international airports.

The wealthiest of the Emirates — Abu Dhabi and Dubai — already have a share of the region's traffic, but the ultra-modern airport at Sharjah, only 30 miles from Dubai, must be one of the most under-utilised in the world.

Bahrain can be expected to fight back. In the slightly mixed, but appropriate metaphor of Sheikh Isa bin Abdullah Al-Khalifa, who runs Bahrain Airport: "Why should we allow these airlines to pick up passengers here, taking our bread and butter, when they are really flying from London to Hong Kong and anything they pick up here is just gravy?"

Expensive

It is a justifiable point, at least from the regional airline point of view. But passengers probably see it differently. Fares on the Gulf-Europe routes are among the most expensive per mile in the world. It is cheaper to fly to Australia from London rather than from the Gulf although many Australia-bound flights pass through the region and the Gulf is 4,000 miles closer to Australia than Britain. With the new cheap flights to Hong Kong the same point can be made.

An even more pertinent argument is that although the region's airlines can find passengers prepared to pay the high fares, they could also find even more passengers prepared to travel if the flights were cheaper—for example, less wealthy Arabs who want to visit London as tourists or relatives from Europe wanting to visit expatriates working in the Gulf.

Since Gulf Air's nationalisation in 1974, and the equal shareholding taken in it by the four states, deliberate efforts have been made to make sure that, despite disparities in wealth and educated manpower, each state feels involved. Bahrain is the administrative centre, Doha in Qatar is where the light aircraft are based, Oman is where all the aircraft are registered, and Abu Dhabi in the UAE is where a maintenance base probably will be set up. (The TriStars are at present serviced in Hong Kong, the Boeings in Belgium.)

It could be that the period of consolidation envisaged for the next five years will provide the time for greater unity of purpose among the shareholder governments as well. Another factor which can never be discounted in the Middle East is the sort of unity which binds states together despite their differences.

From the internal Gulf Air point of view the significance of the consolidation is that it will be a time to build up load factors (at present 58 per cent), increasing revenue, and starting only the occasional new route. In the words of Yousuf Shirawi, Bahrain's Minister of Development and Industry and a member of the airline's executive committee, it is "to intensify the existing set-up, with any new destination not being, strictly speaking, a new route but merely a hop from an existing one."

The present route network covers most Middle East capitals and stretches out to Hong Kong and Manila in the Far East, and London, Paris and Amsterdam in Europe. Colombo is going to be served from the end of this year, cashing in on the growing tourist traffic to Sri Lanka, but plans to fly to the North Yemen capital, Sana'a, have had to be shelved, because no permission was forthcoming from Saudi Arabia to fly over its "Empty Quarter."

From the international point of view, the cautious policy means that the world's aircraft manufacturers are going to have to be patient before Gulf Air makes any substantial new orders. Yousuf Shirawi outlines the choices as follows: (a) keeping to the same fleet or adding slightly to it; (b) buying the A300 Airbus; (c) buying the A310 Airbus; (d) buying the Boeing 757; or (e) buying the Boeing 767.

The airline is investigating each possibility and might make a choice in the next six months, but would not be expecting delivery for two or three years. He reminds those predicting which choice will be made that "proposal is one thing, marriage is another."

The coming year is going to be a time of major overhaul for the existing fleet of aircraft. Although an extra TriStar has just been purchased and two more will be delivered next year, the actual size of the fleet will remain the same because two aircraft leased from TWA are having to be returned and the seventh aircraft will fill in when each of the older aircraft goes in for a one-month refit starting in January.

Cargo carrying

One byproduct of these new TriStars will be a substantial increase in cargo-carrying capacity because those on lease from TWA, were not fitted with a hold door suitable for the larger cargo pallets. The movement into cargo carrying cannot be expanded too much. Already in the last year Gulf Air has started using a special Boeing 707-320 on lease from British Midland Airways to build up a cargo service, but essentially the traffic is all one way with plenty of cargo coming into the Gulf but very little going out.

Even so, with capacity for 1,160 tonnes per month Gulf Air's cargo service is now making a worthwhile contribution to revenue, expected to amount to 10 per cent of the total for 1980, which is likely to exceed BD 150m (£167m).

Another change expected to become more apparent over the next five years is over the composition of the personnel. The preponderance of English pilots and stewardesses sometimes makes Gulf Air seem like the ultimate expatriate airline, although 52 per cent of the total staff are Gulf nationals. But it is now spending $3m a year on training for Gulf nationals and the first two Gulf 737 captains were appointed during the last 12 months.

There are now 102 pilot trainees and most of these will qualify during 1981. In addition, there are also training programmes for aeronautical engineers and management recruits. Contrary to earlier reports Mr. Abdullah Al-Madani, the General Manager, Administration, said there would be no redundancies in the 4,000-strong staff.

Simon Henderson and Ian Wilson

Aluminium plants in profit

THE ALUMINIUM industry in Bahrain is riding high, as all four production plants move into expansion, and profits range from the modest to the spectacular.

In July last year, Saudi Arabia took a 20 per cent interest in the smelter company, Aluminium Bahrain (ALBA), but the impact of the move was more political than financial. The 600,000 shares cost the Saudis under $10m, *perhaps a third of their current* market value. And the money had already been loaned to the Bahrain Government four years earlier, to provide cashflow while up to 76,000 tonnes of metal was held in stock against more favourable market conditions.

The tide turned in mid-1978. By the end of last year, BALCO, the marketing company which handles the two Governments' 77.9 per cent share of ALBA's production, announced a profit of $53.1m—five times as much *as the 1978 yield, and a* 28 per cent return on turnover of $189.4m. Stockpiled metal was a significant factor, but despite a lower volume of sales in the curent year, profitability has been maintained.

For the first half of 1980, trading profit reached a record $28.83m, 74 per cent up on the comparable period of 1979. The forecast result for the end of the third quarter is $39m, and for the year as a whole, $50m.

The main contribution to the high yield in the first half was a 34 per cent improvement in sales, accompanied by an increase of only 2.5 per cent in production costs. Towards *the* end of the period, however, *prices began to show some* weakness. There was pressure from the export of unusually large volumes of North American metal to non-traditional markets due to slackening demand in a recessionary climate at home.

Among the markets supplied by BALCO, only the Philippines has so far shown symptoms of the U.S. disease, although cus*tomers in the Far Eat and South* East Asia are nervous of its eventualy expansion and buying is now slow. Some stockpiling is envisaged, perhaps to the level of 25,000 tonnes by the end of the year.

BALCO has worked hard to widen the geographical spread *of its marketing activities* over the past two years. It has made deliveries to every non-communist country in the Far East and South-East Asia, as well as to two communist ones. India took nearly four times as much metal in *1979* as the *previous* year, and orders continue into 1980.

There was also a market increase in Middle East consumption, reflecting the rapid growth of semi-fabricating industries in the Gulf region. Bahrain was in the forefront of this develop*ment, with the extrusion plant,* the atomiser and the cables plant all working at high levels to consume 524 per cent more metal from ALBA than in 1978. The UAE increased its demand by 234 per cent, Kuwait by 221 *per cent and Saudi Arabia by* 129 per cent.

ALBA itself is not exposed to the market. The four shareholders, who include Kaiser Aluminium *Bahrain* (17 per cent) and Breton Investments *(5.1 per cent), provide the* necessary financial input; ALBA's function is to supply them with metal at minimum cost. It does, of course, play a much wider role in the economy as a training ground for indus*trial skills and the employer of* some 1,500 Bahrainis. Nationals make up almost 80 per cent of the total workforce and hold 75 per cent of key supervisory posts.

Gold mine

At the launch of the Bahrain-based Gulf Petrochemicals project earlier this year, Saudi Arabia's Industry Minister, Dr. Ghazi Al-Gosaibi, remarked with satisfaction that the aluminium smelter which Western journalists had *dubbed a white elephant* was turning into a gold-mine.

But Saudi Arabia came in on the crest of the wave, with technical problems resolved, expatriate manpower dwindling and production costs safely *under control. His Bahraini* friend and colleague, Development Minister Yousuf Ahmed Shirawi, speaks with more caution, recalling that the euphoria of the casting ceremony in 1971 was completely dissipated six months later. It is a tribute to his personal *toughness and faith* that the Cabinet did not panic as world aluminium prices plummeted, four of ALBA's six foreign backers threw in the towel, and the state shareholding rose willy-nilly from 19 to 78 per cent.

Mr. Shirawi comments: "As traders we did well in history; as industrialists we were very naive. *Now after ten years we* are aware of the complexity of the aluminium industry and of the forces that govern international markets. Aside from independence, this industry made us come of age. Our *future plans will be guided by* humility and knowledge of our limitations. If we can keep the operation technologically sound, and control expenses, then we can hold our own."

Mr. Shirawi stresses the *importance of moving into* further downstream operations in judicious steps and on a regional basis. He welcomes Saudi participation in ALBA as opening a wider dimension for inter-Gulf co-operation. But it *is clear that the arrival of the* new partner had no bearing on the decision to go ahead with the $120m expansion, which will boost production to 170,000 tonnes a year in 1981.

That decisinon had already been *taken*, on the *basis* of market prospects and increased cost efficiency at the plant: a modest investment in incremental facilities promises to give the shareholders more metal at an estimated saving of $70 a tonne.

Funding was not a problem: *Britain's ECGD backed the* venture with up to $30m in export finance. The mandate was handled by Midland Bank, and international and regional banks, led by GIB and NatWest, rushed to put together a syndicated loan. The loan, for $70m over ten years, was negotiated *on very fine terms, surpassed* only by the recent $300m short-term credit to cover the Bahrain Government's 60 per cent take*over of the Bapco refinery. The* remaining funds will be found by the equity partners, and Saudi Arabia will naturally pay its fairly minimal share.

The expansion programme is well up to schedule, with all major contracts awarded. Successful British bidders include *John Brown Engineering, for* $17m worth of power station turbines, Ewbank and Partners, for project management of power station construction, Cleveland Bridge, for the erection of steelwork, and Herbert *Morris* for potroom cranes.

A Norwegian firm, Ardal og Sunndal Verk *(ASV)*, is supplying process technology, while *design and construction* management for two new potlines will be provided by Kaiser Engineers of the U.S. Steel for the power-station will be bought from Hyundai, while another Korean company, working through *Mohammed Jalal* Construction of Bahrain, will supply the pot shells.

Although a number of other contracts have gone overseas, notably to ASEA of Sweden (electrical equipment), Valley Sheet Metal of the U.S. (roofing and sidewalls for the potrooms) and Swartwout of Texas (potroom ventilation systems), a *number of suitable contracts* have been awarded to local firms. The majority of the concrete work has been split between Bucheery Construction, and the 60 per cent government-owned United Building Factory, which specialises in pre-cast concrete for industrialised *housing*.

A decision still has to be made *on the future product-mix.* Although standard ingot (20 kg) hashas always been a best-seller the Bahrain and Saudi Governments would like to increase billet capacity to 60,000 tonnes per year, both to feed their own *semi-fabrication plants* and for sale on the open market, where it commands a high price. But the minority shareholders have no requirement for billet, and are therefore not enthusiastic about contributing to an additional investment of some $4m

Also in hand, but still in the early stages, is a feasibility *study* for waste heat recovery which could offer a 40 per cent increase in power production. This could either be fed into the national grid, or used to fuel a further expansion at the smelter.

Healthy

While the smelting operation goes from strength to strength, the three satellite industries are looking healthier than ever before. Bahrain Atomiser International, ALBA's first local customer when it opened *in* 1972 to convert hot metal into powder, *has just completed a* $200,000 expansion to increase capacity from 3,000 to 6,500 tpy.

Additional safety devices have been included, after two explosions last year resulted in three months' lost production. the atomiser is a relatively low-key operation, tucked away in the desert and employing few people.

Eckhard-Werke of West Germany, which has an interest in ALBA through Breton Investments and is a 49 per cent shareholder in the atomiser, in joint venture with the Bahrain Government, takes the bulk of powder production for the manufacture of paints, inks and explosives.

Of more importance to the local *economy is Balexco, the* 100 per cent Government-owned extrusion plant which caters entirely to the regional market. Expansion is in progress here too, and a 6 per cent capital investment promises a one-third boost to production. Although the project involves increasing the capacity *only of the anodis*ing line, this means an *equivalent increase in total out*put, since there is strong *demand for* natural, gold, bronze and black anodised section, but very little for mill-finished product.

At the *present throughput* rate of 4,000 tonnes per year, the *extrusion* presses are working only two shifts, while the anodising line is fully occupied on three. Facilities for an extra 1,000 tonnes per year of anodised section will cost under $1m, and will be funded mainly by a soft loan *from* the *Ministry* of Finance, without recourse to the international market. The development is expected to be *completed before* the end of the year.

Balexco first climbed out of the red in the last quarter of 1979 and is now achieving what is described as a modest profit, as raw material costs stabilise and allow product price to catch up. There is *some dumping in the Middle* East of cheaper products from Europe and the Far East, and the problem of a 20 per cent tariff barrier against extruded section imported into Saudi Arabia remains unsolved. *Balexo is nevertheless competi*tive enough to sell 60 per cent of its output to Saudi customers.

Benefits

The remainder goes mainly to Kuwait, Qatar, and to a lesser *extent*, the UAE. First sales were also made to North Yemen this year, and orders have even been despatched to Concord Lighting of the UK—at 15 per cent under the domestic price. Manager Derek Peden estimates *that the construction of a land*-link with Saudi Arabia could knock $250 a tonne off deliveries to the mainland—one of the more tangible benefits attributed to the long-heralded causeway.

Disappointment over Saudi protectionism has been somewhat offset for Belaxco by an agreement with the French company Technal International, to become licensee for Technal systems throughout the Middle *East. Belaxco is now supply*ing regional fabricators with extrusions and accessories for Technal windows, doors and balustrades, and providing architectural and technical advice.

MIDAL, the *Gulf's major* exporter of bare aluminium con*ductor and steel reinforced* aluminium cable, is no exception to the *development trend.* The company is embarking on a two-phase expansion to increase both cabling and casting capacity from the present 14,000 tonnes per year to between 18,000 and 20,000. This will require an investment in new plant and equipment of $1.5m, plus the cost of additional infrastructure and labour.

MIDAL is a private joint venture between Olex Cables of Australia and Intersteel, owned by the Zayani family. *Its factory* went into production in July 1978, and moved into profit for the *first* time in March 1980. About one-third of *its total output is destined for* Saudi Arabia, and a real exercise in industrial integration has been set up with Saudi Cables Company (SCC) of Jeddah. SCC routes about 5,000 tonnes per year of its metal offtake *from ALBA through MIDAL* for conversion into rod. This saves the installation of under-utilised casting equipment in the Saudi factory, which is bigger in copper cable than in aluminium.

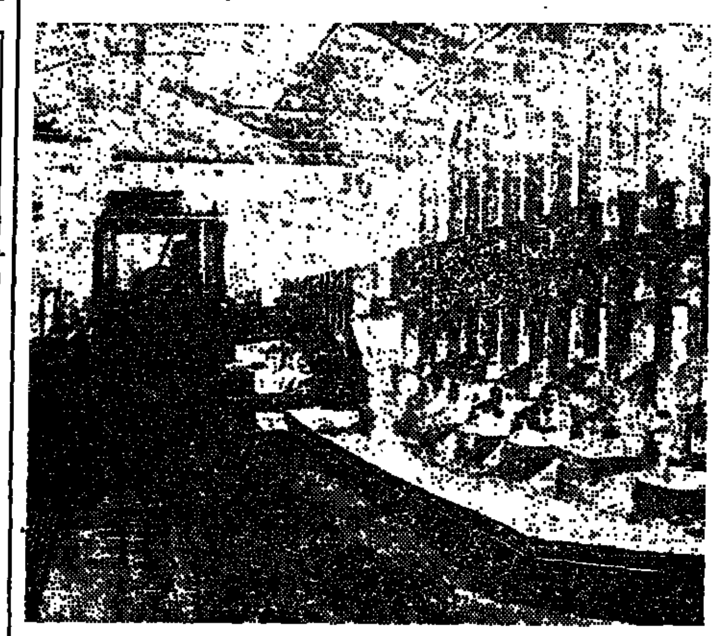
The Bahrain company is now considering going into insulated cable, but future developments could well hinge on events in Iran, *where there is already a* considerable volume of business and where the potential is almost unlimited.

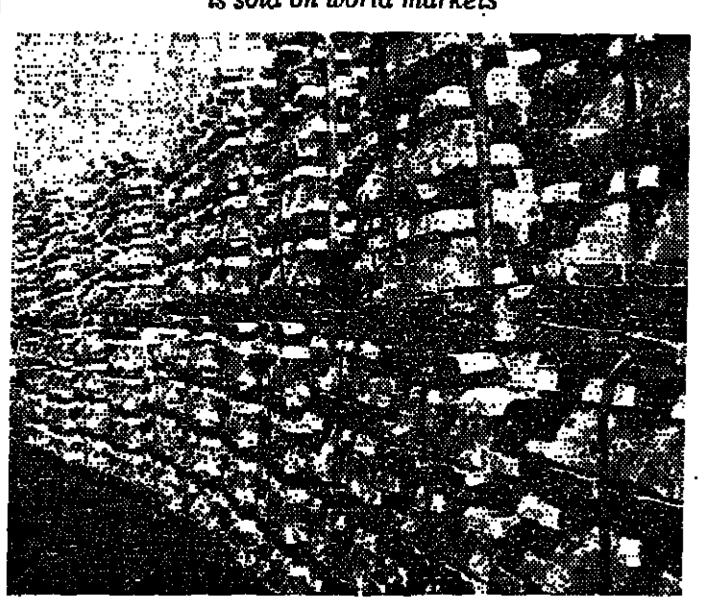
Gulf interest is steadily growing in the establishment of a strip cast rolling mill in Bahrain, with a yearly capacity of 40,000 tonnes of aluminium sheet. It is hoped that all seven member-States of the Gulf *Organisation for Industrial Con*sulting (GOIC) may participate, and preliminary plans envisage an investment of $100m, for completion of the plant in 1983. The results of GOIC's feasibility studies are said to be encouraging—but only *if the* project receives full regional support.

Ideas are also being floated for a petroleum coke plant, to supply the aluminium smelters in both Bahrain and Dubai. Such a project could well attract Government support too. But further downstream, the assem*bly and fabrication workshops* which are proliferating all over the Gulf, and apparently doing good business, are being left in the hands of private enterprise.

Mary Frings

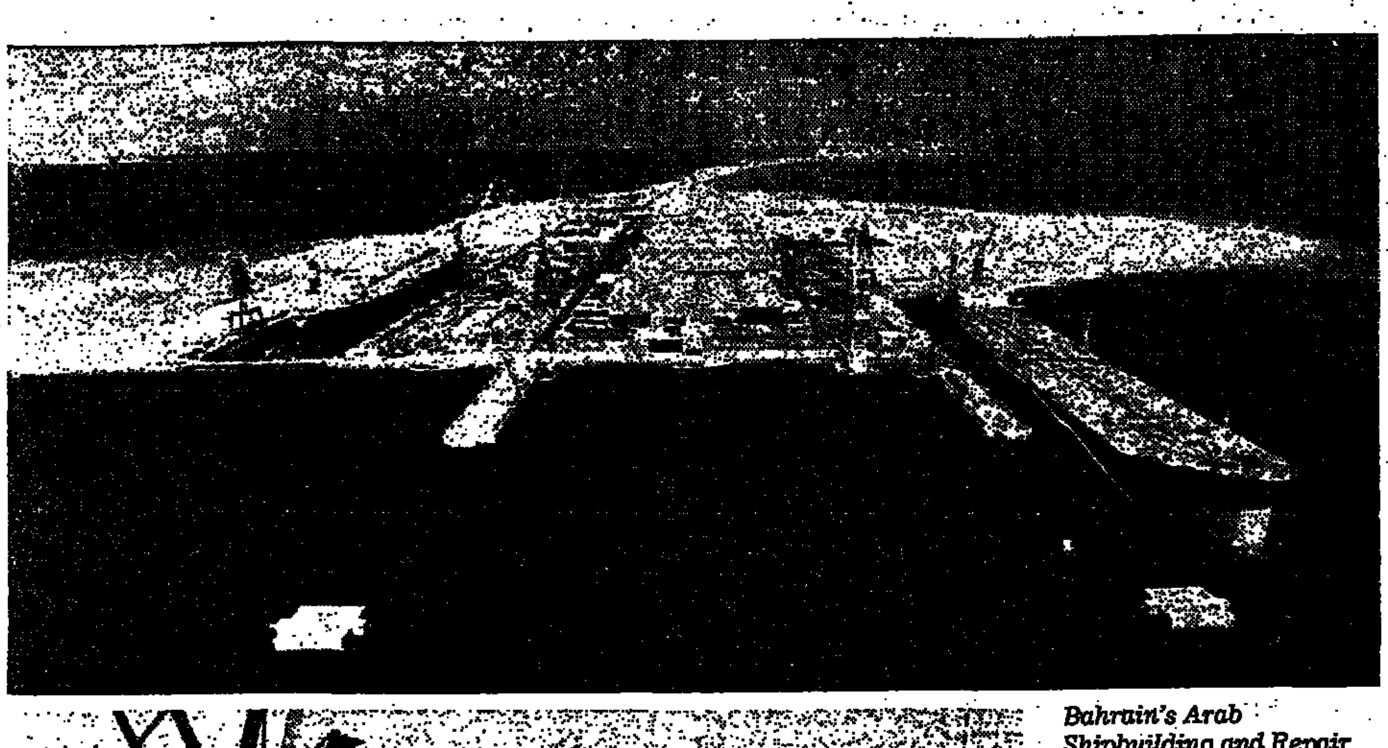
Work in the cast house at the huge ALBA complex at Sitra, where the molten metal is made into ingots and billets. The plant employs 2,500





Above: crust-breaking in the potrooms at ALBA and (below) ingots stacked ready for export. Expansion plans will increase output to 170,000 tonnes of aluminium a year in 1981. Most of the metal is sold on world markets

Dry dock keeping busy



Bahrain's Arab Shipbuilding and Repair Yard, which was completed in 1977 at the cost of $250m, has now gained a 12 per cent share of the market. Created on an artificial island at the end of a 7 km causeway, the yard has a single drydock able to accommodate Very Large Crude Carriers of up to 500,000 dwt. In addition, there are two jetties for simple alongside work and workshops for steel work. While occupancy of the drydock last year was over 90 per cent, the practicable maximum, it has now declined because of higher insurance rates for vessels in the Gulf and general anxiety about the stability of the region.

ON SEPTEMBER 25, the day after Iraqi aircraft struck the Iranian oil export terminal at Kharg Island, the 273,500 dwt crude tanker Al-Riyadh was brought alongside one of the two jetties at Bahrain's Arab Shipbuilding and Repair Yard (ASRY). Even before the tanker had been cleaned of the volatile gas and oil residue in her tanks, her owners were paying an additional war-risk premium of as much as 0.1 per cent of value per seven days.

Al-Riyadh needed major repairs to her rudder and main engine and was not due to leave the yard until October 25, by which time her owners, the Arab oil producers' tanker company AMPTC, would have paid out a six-figure sum in additional war-risk cover alone.

It is too early yet to assess the effect of higher premiums on the yard, which was opened in the autumn of 1977. Earlier this year, when Lloyd's raised premiums for vessels loading in the Gulf, the yard's bookings fell by 15 per cent in a month.

In the spring it was mere rumour of war. The actual outbreak of fighting, between Iraq and Iran this autumn would have spelt disaster for the yard if it were a commercial undertaking. The long-term trends in the market are bad enough, with over 50 dry-docks around the world aiming to serve a Very Large Crude Carrier (VLCC) fleet that might only justify a dozen. In Bahrain, too, with its inexperienced managers and labour force, the establishment costs are high—as the yard's management is the first to point out.

Shelved

Yet the yard managers shrug off the problem of insurance rates. "The higher insurance rates do not worry us but the shipowners," says Mr. Antonio Machado Lopez, the general manager from Lisnave, the Portuguese company managing the yard under a seven-year contract. "The world will need crude oil from the Gulf for a long time yet and tankers must be serviced. The extra costs will simply be passed on." Even so, plans for a second dry-dock have been shelved for the time being.

ASRY is charging rates to tanker owners slightly below those of Europe which suggests, given the cost penalties of a new yard in a technically backward country, that there has been some rate-cutting. "But we are not running a charitable organisation," says Mr. Yousuf Shirawi, the Development and Industry Minister. In general, however, ASRY's managers tend to be not so much evasive as relaxed about profits.

They point out, rightly, that a yard open a mere three years cannot be expected to show a profit and that ASRY is not a commercial undertaking dependent on commercial finance at a time of high interest rates.

The project's capital has been fully paid up by seven members of the Organisation of Arab Petroleum Exporting Countries (OAPEC) with Saudi Arabia, Kuwait, Qatar, Bahrain and the United Arab Emirates holding 18.84 per cent, Libya 1.7 per cent and Iraq 4.7 per cent. "Our shareholders have resolved that all costs will be covered in return for providing ship-repair knowhow for the Arab States," says Mr. Redha Farraj, the yard's Finance Manager. "Figures for profit and loss are not published since they are of no interest."

ASRY's managers say that their original brief from the shareholder governments in 1974 was to take advantage of Bahrain's position beside the main tanker routes, its good communications and relatively sophisticated economy to provide a share of the repair market and some technical training for Arabs.

Maximum

"You must look at ASRY in terms of national product and infrastructure," says Mr. Shirawi. "We never said we would break even before 1984 and 10 years of operation."

In these terms ASRY has done well. In its first three years of operation 327 vessels have been serviced against a budget of 280 and the yard has gained a 12 per cent share of the VLCC market. In the first six months of this year the occupancy of the drydock, which can take vessels of up to 500,000 dwt, was 90 per cent. This level is marginally down from 1979 but remains close to the practical maximum since, with only one drydock in service, much time is absorbed with queueing, maintenance and the working of the sealock.

Significantly, too, for those who claim that ASRY offers just a clean-and-paint job for tankers waiting off Ras Tanura, work content per dwt was up 70 per cent and more surveys were undertaken. More than half the 1,250 workforce is Bahraini, as is half the management.

ASRY sits on the northern edge of the deep-water channel that provides a road for vessels to the Sitra refinery and the Mina Sulman port. From the airport at Muharraq the cranes of ASRY seem to multiply and vanish across miles and miles of scalding pearl sea, but in fact the causeway across the reefs is only seven kilometres long.

Causeway and yard were built by Hyundai of South Korea for some $250m and at least $15m below the nearest bidder in Hyundai's first venture into the Middle East in 1974-5. The idle cement works on the causeway attests to Hyundai's costly failure to gain the affection of the merchant communities of Bahrain and Saudi Arabia.

The widening of the Suez Canal has been received with some trepidation since it will be that much easier for larger tankers to steam to Europe for repair, but a mighty blot on ASRY's horizon has failed to materialise. The vast three-dock yard at Dubai, which Sheikh Rashid ordered when OAPEC selected Bahrain for the joint venture, has not yet opened and no management company has yet proved willing to meet Sheikh Rashid's demand for equity participation at such a difficult time. ASRY is much less concerned about smaller dock projects in Kuwait and Jeddah (where Lisnave is also involved) and an OAPEC plan for a second dock on the Mediterranean, probably in Tunisia, has not progressed.

The yard opened under Lisnave's management in the autumn of 1977 and provided at first fairly simple mini-docking at the 375 x 75-metre drydock and alongside work at the four berths. In the first year drydock occupancy was 87 per cent with some 11m dwt repaired in the dock and 120 vessels handled at the yard.

Ideal climate

In 1979 the greater experience of the workforce (still consisting over a third of Filipinos) led to a 50 per cent increase in work content for VLCCs together with turbine repairs, special surveys and the external work and SPC coating for which Bahrain's climate is ideal. Some 13m dwt was repaired in the drydock, which showed a 96 per cent occupancy.

Turbine work has been carried out on two Esso VLCCs, Kagoshima and Copenhagen, so far this year and four VLCCs were SPC coated. The dock also admitted its largest vessel, the World Petrobras of 417,000 dwt, and its first major container ship, the Nedlloyd Rotterdam, a 300,000 dwt super ro-ro vessel. Although the yard's rates have not kept pace with those of northern Europe, revenue increased in the six months by 30 per cent.

ASRY operates a number of service agreements, notably with Kawasaki Heavy Industries for licensed engine repairs and Weir Pumps of the UK, but has also managed to develop two joint ventures for propeller and welding work. ASRYPROPEL, a venture with LIPS United of the Netherlands, was servicing an average of four propellers from every five vessels including the 62-ton leviathan of the Sea Song. ASRYWELD, a joint venture with Castolin of Switzerland, has carried out about 300 jobs.

On the debit side employment of Arabs other than Bahrainis remains slight, while those Bahrainis who do undergo training often succumb to the lure of commerce or contracting. While OAPEC's original brief might tolerate this, ASRY's managers are clearly galled by a drop-out rate of some 20 per cent a year. Equally, it now seems highly unlikely that a second dry-dock will be built. The market can only get worse as more idle shipbuilding space is turned over to repair and, though they do not advertise the fact, ASRY's managers are deeply concerned at the Gulf over-capacity that will follow the opening of Dubai, however tardy.

Although Mr. Machado Lopez says he is awaiting "the green light to start the new dock," this will not be for the foreseeable future. Since the workshops were designed with two dry-docks in mind, there is considerable wasted space and capital. ASRY, like everyone else, is hoping for some scraps from the causeway to keep some idle plant going.

The immediate outlook is much worse than the long-term. "The effect of the war-risk premiums will be a passing one" says Mr. Shirawi. The list of shipowners is increasing, with the major oil companies, the Aramco partners and the Arab and Kuwaiti tanker firms using the yard and independent lines from the UK, the U.S., West Germany, Greece, Italy, Spain and Hong Kong. As yet the Japanese owners that transport all but a fraction of Japan's crude continue to prefer Singapore, where the yards are some 10-15 per cent cheaper than ASRY.

When the war broke out there were some 500 tankers approaching or inside the Gulf. The world crude market is highly active, with tankers directed and redirected often many times before they reach the ocean. For those tankers not delivering crude on regular lines to Europe and Japan, ASRY will remain a convenient and increasingly competent haven.

James Buchan

Agriculture: Ten Year Plan to reduce food imports

A butcher at work in the Muharraq souk. The amount of viable agricultural land has shrunk considerably over the last few decades, worsening the country's food imports bill

THROUGHOUT THE centuries Bahrain has been the envy of its neighbours as "the green country." Not that this is saying very much. The island is only 35 miles long and natural vegetation occurs only in the top third of it, where a green belt fringes the north and north-western coasts.

Here, there are fresh water springs which bubble up through porous limestone from aquifiers which have their catchment area deep in Saudi Arabia. Nevertheless, until the early 1930s farming, with fishing and pearling, were the main occupations of the inhabitants.

With the coming of oil in the 1930s and the demand for labour, youths and able-bodied men deserted the farms to seek less exacting and more rewarding jobs in industry. This drift from the land has accelerated in recent years. While in 1959 there were still more than 3,400 farm-workers, in 1978 the figure had dropped to fewer than 2,500.

Of the latter, about 80 per cent are aged between 40 and 70-plus. Villages which once subsisted on their date palms and vegetable and fodder crops are now little more than dormitories for industrial workers.

Viable agricultural land has also shrunk sadly. In 1930, 8,000 hectares were under cultivation. Today the area is 3,700 hectares of which 300 are alfalfa, 350 vegetables, 880 date palms, 1,100 fallow and 1,000 abandoned.

Abandoned land includes that lost to urbanisation and large areas where the groundwater level has sunk disastrously owing to the rival claims of industry and property developers building middle and up-market housing estates and villas for an increasingly sophisticated population.

For some time government has been uneasily aware of the plight of agriculture, if only for the fact that food imports cost in excess of BD 50m (£54.9m) yearly, the largest bill for any sector except those of machinery and manufactured goods.

A tremor of alarm that food imports could be suspended, at least temporarily, may have been caused by the Iraq-Iran war. On the last Sunday in September, when the fighting was severe, the weekly routine Cabinet meeting was almost entirely devoted to discussion of a new Ten Year Plan for agriculture.

The plan was completed in 1978 after research into potential by Hunting Technical Services of the UK. A Bahrain committee, led by Mr. Habib Kassem, Minister for Commerce and Agriculture, has spent two years modifying the plan and pruning it of its more exuberant aspects with an eye on the budget.

The plan aims to introduce advanced methods of milk production, poultry farming, drainage and irrigation and intensive vegetable growing including hydroponics. At the Experimental Farm at Budayia, whose burgeoning vegetation, laden fruit trees and orderly rows of seed beds are testimony of what can be done, Mr. Zadik al Alawi, newly-appointed Director of Agriculture, is optimistic. He sees his new appointment as a challenge. Many of the plan's important recommendations have already been implemented and are proving their worth.

About 9,000 square metres of land, including 4,000 square metres of hot-houses and hydroponic units, are now yielding tomatoes, cucumbers and a host of fruit trees which are either sold in the markets or to local farmers to develop. Both a government soil analysis laboratory and an animal and poultry diseases laboratory have recently been established.

A dairy farm pilot project is thriving following the purchase of 200 Friesian cows from Australia. The 80 to 100 cows in milk produce about 1,000 litres daily. About 80 per cent of the cows are in calf by artificial insemination with the first young expected from November. The Friesians have just been joined by 24 Jerseys bought from England.

Fodder remains a main problem in raising the herd but, as part of the pilot scheme, 15 hectares of alfalfa, special grasses and roots have been laid out and are watered by overhead sprinkler irrigation, used for the first time in Bahrain. This area will be considerably expanded from 1983 when the island's sewage plant at Tubli is completed and treated water becomes available for fodder irrigation—it will not be used for vegetables.

Mr. al Alawi is particularly proud of the government's efforts to promote poultry farming. The country now has about 32 poultry farms producing 80m eggs and about 3,000 tons of meat for the table annually.

It is hoped that by 1982 the island will be self-sufficient in both.

A notable contribution by the Government's Poultry Investigation Centre is the design of a hot-weather hen-house fitted with simplified low-cost air-conditioning. This has improved performance by 20 per cent and much reduced the mortality rate.

Feed for the poultry is still bought largely from abroad and processed in Bahrain. As part by the Ten Year Plan it is hoped to build a feed factory in Bahrain utilising the yield from local crops.

A special effort is to be made to revive date farming. Bahrain still has about 750,000 palms, but fewer than half are fruit-bearing, owing to the increasing salinity of the ground water. A serious handicap is that the successful tending of productive palms requires special skills which are not easily taught, and those who have inherited the essential "green fingers" are now all old men.

However, the Agricultural Directorate is in close consultation with Baghdad where a modern date improvement project originated. One scheme is to harvest the dates early and freeze them for marketing in winter when the fruit is not locally available.

Ralph Izzard

Gulf fishing a chancy business

FISH HAVE provided the principal source of protein for the people of the Gulf area throughout history. The waters are abundantly stocked and it is estimated that they contain 150 edible varieties.

With populations soaring in each state, it has for some time been realised that the old methods of catching fish—by traps and netting from the shore — are inadequate. In Bahrain, the Directorate of Fisheries has prepared a Five Year Plan to supplement supplies and improve marketing facilities and this is also awaiting Cabinet sanction.

The Plan is largely the work of a Scot, Mr. Donald Niven, on secondment from the Food and Agriculture Organisation. Mr. Niven spent a number of years in Bahrain carrying out his own survey in the Government research ship Salman which was later joined by a second ship. In its later stages the Bahrain survey was merged with a larger one covering the whole of the Gulf in which research vessels from Kuwait, Bahrain, Qatar and the UAE joined company under the direction of the FAO's Indian Ocean Fisheries Commission, which has its Gulf headquarters in Qatar.

While Bahrain's Five Year Plan still awaits approval, the Prime Minister, Shaikh Khalifa, in June, instructed the Fisheries Directorate to proceed with major points of the programme without waiting for Government sanction. He said priority should be given to Bahrain's second largest island, Muharraq, where work to construct a fishing harbour should be started.

Seven such harbours will eventually be built where fishermen will be provided with workshops, net storage and repair sheds, fish storage, ice-making plants, fuel depots and beach landings.

Adjacent to Mina (Port) Sulman, the Directorate already has a trawler depot and fish-processing factory which delivers 3½ tons of fish daily to 12 government shops and now, on request, to leading hotels and cold stores. Government shops sell more cheaply than the local markets but do not undercut prices to a degree which would upset local fishermen and fishmongers.

The government fleet consists of three deep-sea trawlers bought from New Zealand and the two research ships which have been converted for commercial trawling.

The chancy nature of fishing operations in the Gulf is well exemplified by the fate of the Bahrain Fishing Company, which was formed in 1966 to provide top-quality frozen Gulf shrimp for the world's luxury markets. Under the management of Ross Seafoods (International) the company prospered for a number of years, paying dividends which were seldom below 25 per cent and once reached 40 per cent.

Diversification

The company was regarded as a prime example of successful diversification of industry, but activities came to an abrupt end in 1979 after a disastrous 18 months' fishing when catches were negligible. A loss of BD 450,000 (£494,500) was recorded for 1978 after a profit of BD 600,000 in 1977. BAFCO went into liquidation and its fleet of 17 modern shrimp trawlers was sold to a Hong Kong company.

The reason why the shrimp population should suddenly vanish is still disputed. It could have been overfishing (not by BAFCO which operated a self-imposed close season), or extensive land reclamation causing drifting silt to smother the breeding grounds, or industrial pollution.

Overfishing was obviously one cause for, after a close season rigorously imposed on local shrimpers both last year and this, there are indications that the population is fast recovering.

Another hazard in the Gulf is the ever-present threat of a really large oil spill. This was brought home to Bahrain in August when a leak occurred at Saudi Arabia's loading terminal at Juayma and a slick of more than 1,000 barrels swamped a stretch of Bahrain's west coast. The area contains a number of small fishing communities using traditional methods. Traps, nets and tackle were ruined and much damage caused to small craft and dhows.

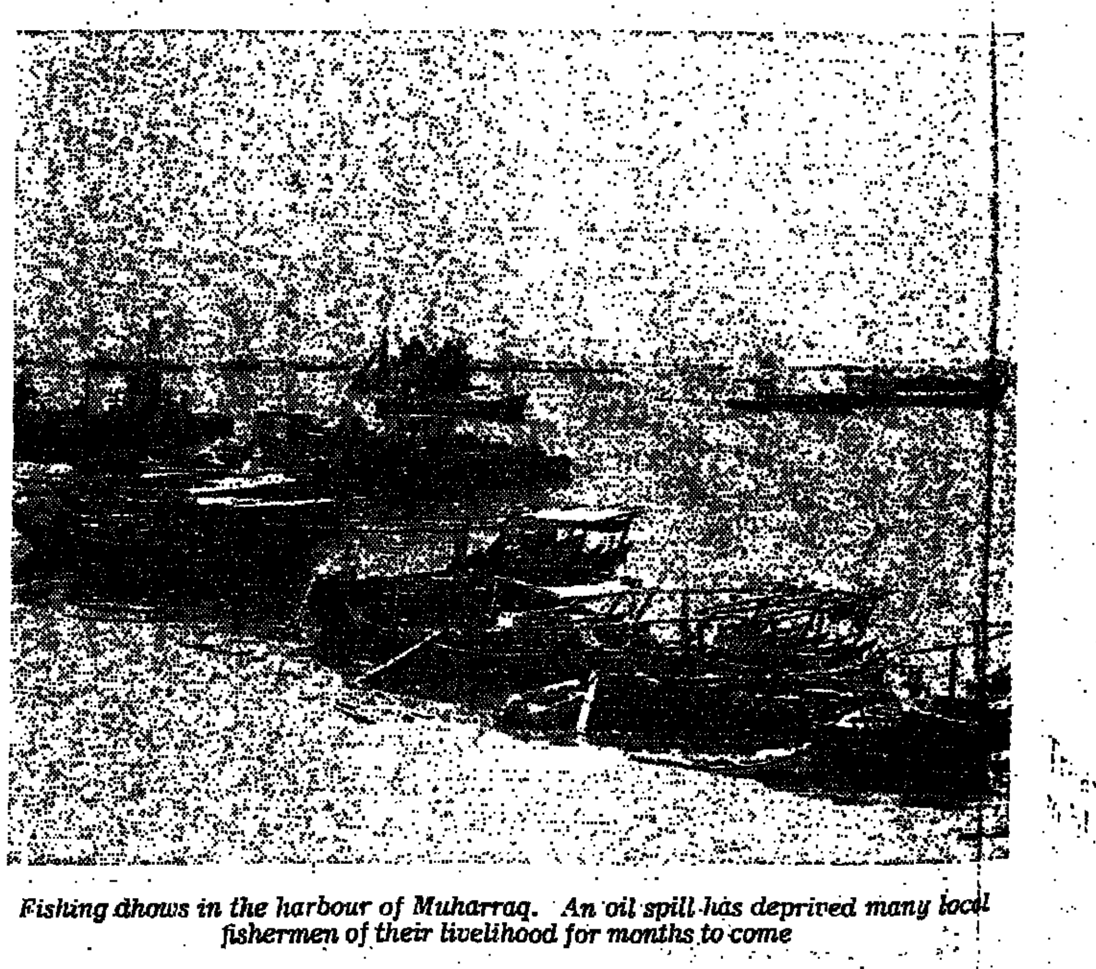
Although full compensation eventually will be paid, the fishermen along the whole stretch of coast are now deprived of their livelihood for some months to come. A team of FAO scientists has flown in to estimate the damage to the fish population.

The slick killed pelagic fish in their thousands. Demersal fish may not be greatly affected unless it is found they have been eating surface swimmers which had sunk to the bottom after poisoning. It is also not yet known what effect the huge amounts of chemicals used to disperse the slick at sea has had on marine life.

Mr. Khalid Fakhro, Director of Fisheries, reckons that what with compensation to be paid and beach cleansing operations, the final bill to be presented to the culprits for the slick will run into millons of dinars.

This was a limited disaster. A major catastrophe would follow for all Gulf fishermen if a supertanker carrying, say, 300,000 tons of crude oil, were to come to grief. This is by no means an impossibility.

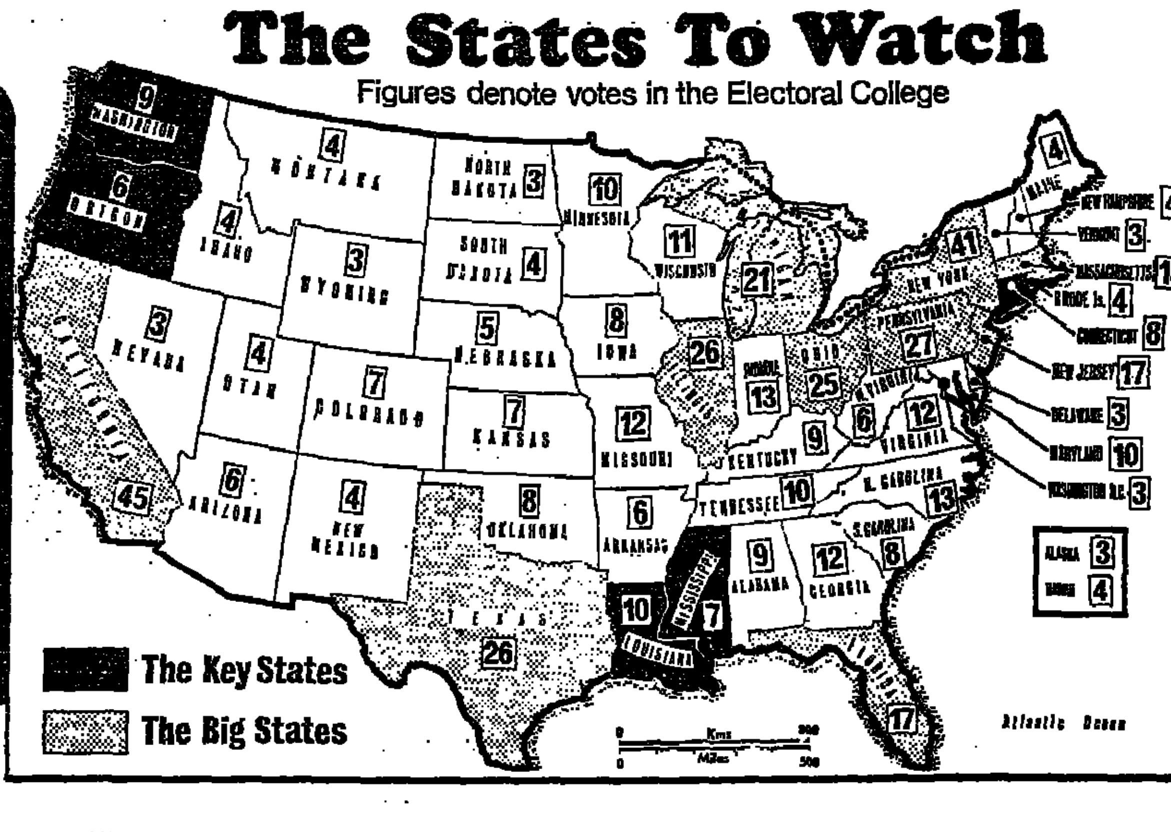
R.I.



Fishing dhows in the harbour of Muharraq. An oil spill has deprived many local fishermen of their livelihood for months to come

The States To Watch

Figures denote votes in the Electoral College



Brane Radovic

Where the race will be won—or lost

By Jurek Martin, U.S. Editor, in Washington

THE FENCE *in front of the* White House looked different yesterday morning. At first, approaching it at dawn, it seemed as if the rising sun was playing tricks on the eyes. But from square on it was apparent *why the colours were not as* they usually are. For the railings had been transformed into a thicket of yellow ribbons.

This symbol of the Americans held hostage in a distant part of the world for exactly one year decorating the railings outside the residence of the most powerful leader in the Western world is its own testament of what has been, in truth, an extraordinary presidential election. It has been a year that has *seen so many of the rules of* politics thrown out of the window; yet, ultimately, as the country votes today, it is still these rules which will determine who inhabits the White House for the next four years.

The hostages themselves have been, by turn, President Carter's *humiliation* and salvation; in the waning hours of a campaign that seems to have turned against him, they may yet rescue his presidency—or they may turn out to be a poignant but irrelevant issue in a contest *determined by more prosaic and* traditional matters, such as the state of the economy and the public's perception of the candidates.

It is, perhaps, not surprising that a nation so clearly at odds with itself should have had such difficulty in making up its electoral mind. The last year has seen the nation reject the past, in the shape of Senator Edward Kennedy's liberalism, but embrace it in the form of *Mr. Ronald Reagan's evocation of finer, simpler days. It has* seen a President eternally in the political doldrums comfortably destroy his most glamorous challenger without ever really having to set foot outside the White House Rose Garden. A *country which has always given* pride and place to youth and vibrancy has espoused a man who, if elected, would be the oldest ever to move into the Oval Office.

It is also a year in which the U.S. has been faced with one of its starkest philosophical choices. The differences between Mr. Carter and Mr. Reagan in the full range of domestic and foreign policy issues are indeed as great as those which separated Nixon and McGovern in 1972 and Johnson and Goldwater *in 1964. In those years,* the centre held and the flanks were routed; this time, the centre may have moved a little to the right, but, more important, a restless population, frustrated with politicians of all stripes and with government in all its manifestations, seems to have concluded that it may just as well take the devil it does not really know to the one it does, and for whom it feels some sympathy but more contempt.

This, in the classic sense, is where the rules come in. The *probability is that a lower percentage of Americans will go* to the polls today than in any presidential election since 1924. Turnout may amount only to a little over 50 per cent of the voting age population. The rule of thumb in modern American politics is generally that, the lower the vote, the better the chances for a Republican success.

The independent candidacy of Mr. John Anderson will also be a *factor today, and most prob*ably to Mr. Carter's detriment. In 1976 *former Senator Eugene* McCarthy received less than 1 per cent of the national vote but held the balance between Mr. Carter and Mr. Ford in half a dozen states and made the outcome in the electoral college *perilously close. Mr. Anderson,* it is assumed, will get 5 to 10 per cent today and, given that his supporters are principally liberal and young, they are lost Democrats. It is unlikely in the extreme that Mr. Anderson will *carry a single state but in places* like Connecticut, New Jersey and Oregon he could spell the difference.

The electoral college, as its name indicates, is a college of electors, individuals whose only task is to certify the result of the election. There are 538 of them and 270 votes, therefore, are needed to win the Presidency. The allocation of a state's representation in the electoral college is determined by its *population, ranging from* 45 in California to three for the *five smallest units.*

With the exception of Maine, *whose four votes are awarded* proportionately, whoever carries a state takes all its college votes.

The electors, incidentally, are not all bound to vote according to today's mandate, though 21 states have passed ordinances requiring them to. It is con*ceivable, if improbable, that if* Mr. Carter were to get the most popular votes but lose in the electoral college, as last happened in 1888, he could try to influence the electors and get them to change their minds *before they certify the election* results early in December. It is more likely, if this were to happn, that there would be a movement to reform the college *system some time in the future.*

As the map shows, the elec*tion is really determined in the* big states. All of these, except California and Texas, are east of the Mississippi, the river which divides the U.S. Mr. Reagan appears *solid in the west, with the exception of* Hawaii, and possibly Oregon and Washington, coloured black on our map, like some other key states. Texas, which Mr. Carter carried *in 1976,* seems to be leaning towards the Republicans and it *would be a major upset if Mr.* Reagan were to lose California, his home state. Nevertheless, if the rest of the country is closely fought, it is conceivable that *the presidency will* hinge on California.

*It is more likely that the out*come will be clearer before than come will be clearer before then eastern and central time zones unfold. Early trends may be discerned in Massachusetts, Connecticut and New Jersey, all *of which have a tradition of* issuing speedy results. In all three the Anderson factor may be significant. If it costs Mr. Carter Massachusetts he is irrevocably lost; Connecticut went to Mr. Ford four years ago *by 52 to 47 per cent and if Mr.* Reagan improves on that in this typically suburban state he is set fair.

But, above all it is in the big States that Mr. Carter must do better than last time. In 1976 he carried New York, Pennsylvania, Ohio, Florida and Texas, *but lost in Illinois, Michigan,* New Jersey and, of course, California. According to the polls, he can feel confident only about New York at present.

The reason for the overweaning significance of the big States stems from the fact that the South, his home turf, may *no longer be solid Carter terri*tory. Mr. Reagan's conservatism has much greater inherent appeal there than did Mr. Ford's more moderate philosophy. Mr. Carter could be vulnerable not *only in Florida and Texas but* even in Mississippi, Louisiana, *Alabama and South Carolina. If* any of these States whose *results should also be in fairly* early, shift into the Reagan *column, then Mr. Carter must* compensate in the big industrial States.

In effect, therefore, his margin for error is much smaller than Mr. Reagan's. In 1976 Mr. Carter carried his big States by small margins—by one-tenth of 1 per cent in Ohio, *less than three points in Penn*sylvania, just over three in Texas and by only *five* in Florida and New York. It would be a considerable feat to repeat that performance and even then it may not be enough.

In the numbers game, 1980 is very much the mirror image of 1976. Then it was Mr. Ford who had to gain almost every*where to offset Mr. Carter's* apparent regional edge in the electoral college. He fell just short.

*Mr. Carter can console him*self with other historical straws: four years ago, for example, one final poll had Mr. Ford in the lead, while Hubert Humphrey was similarly encouraged in 1968; in 1948 Harry *Truman was the definitive* underdog. This year has been volatile enough for it to be foolish to write off Mr. Carter. There is still a chance that he will avoid the fate of Herbert Hoover in 1932, the last encum*bent to be voted out in a general* election. But he will need as many breaks today as there are yellow ribbons tied on his front railings if he is to remain President.

U.S. ELECTIONS

November 4th

TONIGHT'S COVERAGE

BBC 2—*Newsnight* 10.50-11.40: Charles Wheeler and Peter Snow from the U.S.
BBC 1—11.40-2.30 am Wed.: The Next President: Night of Decision—presented by David Dimbleby and Peter Snow, *with Charles Wheeler.*
ITV (London) 11.45-2.00 am 2.00 am (Wed.) — America Decides: The programme taps in to NBC, with Norman Rees in New York, Trevor McDonald in the Carter camp

For whoever wins, Congress could make life harder

CONGRESS COULD *present* a very different face to the nation after today's election. This is not because the Republicans are likely to gain control of either House, though their once bright hopes for the Senate have not been entirely extinguished. Rather, it reflects the fact that some considerable figures in the present *legislature have either retired* or are in electoral jeopardy.

Currently the Democrats rule the Senate by a 59-41 majority and the 435-member House of Representatives by 273 to 159, with three vacancies. Of the 34 Senate seats being contested this year, 24 are held by Democrats: in the House 42 incumbents, 26 of them Democrats, are not running for one reason or another. These *numbers, combined with the* patently more conservative mood of the country, have induced an undeniably resurgent Republican Party to spend heavily on the Congressional races.

*The Republican goal of pick*ing up a net gain of nine or 10 Senate seats (*nine would be* enough if Mr. Reagan is elected because Mr. George Bush, in his capacity of Vice-President would have the deciding vote as *President of the Senate*) *is* made harder because they may lose some of their own. In New York, for example, Democratic Congresswoman Elizabeth Holtzman is expected to beat Senator Jacob Javits, who lost the Republican primary but is running as a Liberal, and Mr. Alphonse D'Amato, a hitherto obscure civic official from Long Island, who defeated Mr. Javits.

The retirements of Republican Senators Henry Bellmon of Oklahoma and Richard Schweiker of Pennsyl*vania could lead to Democratic* gains there is even talk that the old warhorse himself, Senator Barry Goldwater, is in trouble in Arizona.

Still, the list of vulnerable Democrats is much longer and *more illustrious. Of the five on* the original right-wing "hit list," one, Senator Alan Cranston from California, the Majority Whip, seems assured of victory over Mr. Paul Gann, co-author, with Howard Jarvis, of the state's famous Proposition 13 tax-cutting amendment of 1978.

The other four noteable Liberals, Senators Frank Church from Idaho, chairman of the Foreign Relations Committee, Birch Bayh from Indiana, John Culver from Iowa, and George McGovern from South Dakota, the 1972 Presidential candidate, are all still fighting for their lives against ultra-conservative opposition but are given even chances of survival.

But the Republicans may pick up seats in states where once *their chances had appeared* slim, such as in Colorado, where Senator Gary Hart is in a tough battle with Mrs. Mary Estill Buchanan and in Florida, where Mrs. Paula Hawkins is given the edge over Mr. John Gunter, who had beaten the incumbent Senator Richard Stone in the primary. *The Democratic Sena*tors in New Hampshire and *neighbouring Vermont, John* Durkin and Patrick Leahy, could *be in trouble.*

On the House side, the story is essentially one of names rather than parties. The consensus view is that the Republicans could pick up 20 or so seats, but that would still leave the Democrats with a comfortable majority. However, they would *be sorely weakened if some of* their leading lights were snuffed out.

Those vulnerable include Mr. Al Ullman from Oregon, chairman of the Ways and Means Committee. Mr. Morris Udall *from Arizona, chairman of the* Interior Committee, whose problems with an ultra-Right-wing *opponent may have been com*pounded by the revelation that he is suffering from Parkinson's Disease, Mr. Harold (Bizz) Johnson from California, chairman of Public Works, Mr. Thomas Foley from Washington, chair*man of Agriculture*, Mr. John Brademas from Indiana, the Majority Whip. At one stage even Mr. Jim Wright from Texas, the Majority Leader, *looked* in trouble, though he is said to have recouped recently.

The election may lead to a more parochial Congress

It used to be that states would bask in the reflected lustre that *having a genuinely prominent* and powerful Washington representative brought them, larded, of course, from time to time with Federal payments. But one common thread in the attacks launched in the bich and mighty *this year is the charge that all* have put too much distance between them and their constituents. Experience of the ways of Washington is a less valuable political commodity than it once was.

Thus, if some of the above heads fall, the new Congress is *likely to be more parochial* and less susceptible to party discipline, which has been declining in any case. This could make life harder for whoever wins the Presidency. Indeed, throughout the country it is apparent *that neither Mr. Carter nor Mr.* Reagan have particularly long coat-tails: many of the key congressional races will be decided on local issues and personalities, with much ticket-splitting.

Letters to the Editor

The market for tractors

From Mr. Alick Dick

Sir,—The article by Hazel Duffy is of special interest to *me as I was at the centre of* the negotiations terminating in the sale of the Banner Lane tractor factory to Massey-Ferguson in the late 1950's.

My colleagues and I at the Standard-Triumph Company were concerned *at many aspects* of MF, but particularly the shift *of the centre of design of trac*tors from the UK to Detroit and Toronto.

The whole approach to design was altered and became typically North American—bigger, more powerful and *more complicated is better.* Just the same factors as have ultimately caused such problems with the U.S. automobile industry.

The imagination and expertise for the design and manu*facture* of the tractor were provided in this country by Harry Ferguson and Sir John Black, my predecessor at Standard Triumph, respectively, *and the building* of the Beauvais factory was initiated by *myself* and my co-directors.

I am sure that both the diesel engine factory of Perkins and the Banner Lane tractor factory can prosper separated from Massey-Ferguson in North America.

The markets are *still* there and Harry Ferguson's foresight and *comments still apply then* as now—"there are 350m power *animals* in the world and only 3m tractors. Our market is in the replacement of the animals not the tractors." There may have been a marginal alteration in the statistics since 1950 but the market is still largely untouched.

If only some of the money now chasing profits on interest rates could be diverted to the fundamental problem of world *agri*culture the world might be a *better place for us all to live in.*

Alick S. Dick.
The Thatched Cottage,
Hill Wootton,
Warwicks.

Treasury not to blame

From the Chief Registrar HM Treasury

Sir,—The Treasury is accused of many things in your pages from time to time, but the suggestion that we have lost Lord Keynes' papers (*Men and Matters*, October 29) is, I am glad to say, a false one. The only sense in which we have 'lost' the originals of the papers *published by Professor Muggridge* is by transfering them to the Public Record Office, where I am assured that they are safe and well.

D. M. Nooney.
HM Treasury,
Treasury Chambers,
Parliament Street, SW1.

Causes of the recession

From Mr. Wynne Godley

Sir,—Mr. Brittan (October 30) endorses the view that the UK recession is relatively bad because workers have attempted "to recoup the effects of higher world oil prices on living standards" implying that *Government policy is not respon*sible for what is happening. But this view cannot be right. As the UK is now self sufficient in oil a rise in its price has, directly, no net effect at all on the real national income. Any adverse effect on "living standards" only therefore occurs *because* there is an internal redistribution mainly in favour of the Government in the form of petroleum revenue tax and other oil production taxes: i.e., increases in taxation which are in no relevant respect different from any other.

The recession is the result of the Government's disinflationary fiscal and monetary policies, now exacerbated by *high import* penetration and falling exports, *themselves due mainly to the* extremely high real exchange rate. I *must* remind Mr. Brittan that in a very scathing attack on our work last April (April 17) he claimed that our representation of existing policies as causing a deterioration in competitiveness of 30 per cent or more was "simply not a credible picture." It looks all too credible today. I am relieved to hear Mr. Brittan would advocate intervention *should* the exchange rate reach 80: but *can it be that he knows better* than the market?

Wynne Godley
Department of Applied Economics,
Sidgwick Avenue, Cambridge.

Samuel Brittan writes: The unbridgeable gap between Mr. Godley and myself is his attribution of everything that happens to "Government policy." But I am glad that he draws attention to my article of April 17, *which was entitled* "Panic and wrong answers from the Fens." The reasons for considering exchange rate intervention at 80 were given in Economic Viewpoint of October 23.

The Parties and the EEC

From the Co-Chairman,
National Council of Common Market Organisations

Sir,—Sanity, or at least a small glimmer of it, is at last starting to return to the political parties. Conservatives and Labour are not as sure as they used to be about our membership of the Common Market.

True, Labour offers a release for Britain as part of a package deal of such savagery as to preclude any possibility of middle-of-the-road voters voting for it (*this is already reflected in the* opinion poll since their Blackpool conference), but the two to one vote for withdrawal must mean that the mandate from the constituencies was overwhelming.

This is not something the Conservatives can afford to disregard completely, for the matter cuts across Party lines, and there are a great many firm opponents of our membership hidden away in Tory ranks. At *Brighton, where the faithful* met, dissidence came to the surface with a loud bang. Indeed, from the banners, placards and loudspeaker vans it might have been a Britain-Out rally rather than the annual conference of the party of Mr. Edward Heath and Sir Alec *Douglas-Home, let alone* Mrs. Margaret Thatcher. That last sentence is not ours; it came intact from The Times of October 8.

On an amendment put in by Teddy Taylor MP the Party from the Blue Corner found itself saddled with a motion to educate the public in the "*facts* about" rather than the "*benefits of*" *our membership of the* EEC, thus theoretically prevent*ing the use of the Government* information service and taxpayers' money for one-sided propaganda.

And, after quite the roughest debate of the Conference, and the fiercest EEC debate for *many years, from which one* observed that the Prime *Minister herself was absent* as she always is from debates on *this subject*, the motion was passed with customary unanimity (or so the record shows—actually there were abstentions). Thus the Party stands charged, *if that means anything. What* it does mean is that of ostracism *of Tory dissidents on the* Market issue is out of date: the Market is back in politics, and Conservative politics at that; anti-Marketism is once more re*spectable in the best circles.*

H. Patrick Holden.
(Capt.) John Hay of Hayfield.
The National Council of Anti Common Market Organisations,
Huntly,
Oxford Road,
Gerrards Cross, Bucks.

Grain export subsidies

From the Vice-President National Farmers' Union,

Sir,—It is unfortunate that your perfectly accurate report on action taken by the EEC Commission in relation to ex*ports of grain products from the* Community (October 29) should have ben completely distorted by the headline. "EEC suspend grain export rebates."

There is, of course, absolutely no truth in that headline and it would be particularly unfortunate if it resulted in any dis*turbance of the present rhythm* of grain exports from the UK-exports which are very much in the national interest in terms of their foreign exchange earnings.

C. P. Righton.
Agriculture House,
Knightsbridge, SW1.

Idomeneo at St. John's

From the Chairman,
Chelsea Opera Group

Sir,—We appreciate Max Loppert's review on Tuesday of our performance of Idomeneo at St. John's, Smith Square. It was, however, quite unacceptable to suggest that the cuts imposed to meet time constraints were the results of economies to avoid overtime payments! He must know—or if not he and other London critics should know—that the requirement to *finish by 10.00 pm is an absolute* rule imposed by the St. John's management to meet the local conditions. The Chelsea Opera Group is accustomed to paying overtime for extensions in other London halls which permit it; in this present series Idomeneo was performed almost uncut in Cambridge where time was available.

Alan Reddish.
East House,
69, Stanmore Hill,
Stanmore, Middlesex.

Graig Shipping rises sharply

A SHARP increase in pre-tax profits and a doubling of the interim dividend are reported by Graig Shipping Company for the six months to September 30, 1980.

With trading profits advancing from £570,811 to £995,861 after loan interest and depreciation taking £344,637 against £299,142, first-half taxable profits surged ahead from £271,669 to £651,224. This figure is only some £124,000 below the £775,000 profit earned for the whole of last year, when the company returned to the black after four years of losses.

The net interim dividend is hoisted from 5p to 10p. Last year's final payment was 10p, making a 25p total which included a special 10p anniversary payment.

The group's vessels are engaged in world-wide bulk cargo trade, and its other interests lie in property, travel agency and oil and gas exploration.

● comment

Graig Shipping has improved upon the recovery begun last year, with first half profits up 2.4 times. Because of the satisfactory performance from its shipping activities, the Board has doubled the interim dividend. Even if it were to do the same at the final, making a total for the year of 30p, the shares would still be yielding under 2 per cent at yesterday's price of £25. Despite the good trading news, the shares did no better than hold steady on the day, presumably on the absence of firm news from the company's onshore oil exploration interests. All that could be said yesterday was that seismic studies have yet to be fully evaluated, and the picture is not yet complete.

Brent Walker first-half profit falls to £0.13m

AFTER an exceptional debit of £111,213 and increased interest of £551,423 against £389,537, profits before tax of the Brent Walker leisure group were well down at £128,604 for the 28 weeks ended July 13, 1980, against £360,617 in the same period last year.

Stated earnings per 5p share have dropped from 3.92p to 0.88p but the interim dividend is maintained at 0.35p per share—last year the group paid a total of 1.75p from pre-tax profits of £931,000.

First half turnover amounted to £4.65m compared with £6.1m. Attributable profits were £96,896 against £486,425 after extraordinary credits of £35,292 (£211,868).

	28 weeks 1980 £	1979 £
Turnover	4,664,758	6,092,060
Trading profits	697,790	627,116
Rents receivable	93,450	123,038
Interest payable	551,423	389,537
Exceptional items*	111,213	—
Profits before tax	128,604	360,617
Tax	67,000	86,060
Net profit	61,604	274,557
Extraord.†	35,292	211,868
Attributable	96,896	486,425

* Payments arising in connection with the retirement of two directors. † Profit on sales of properties and certain exchange differences.

second half is not going to be much better. Borrowings remain unchanged and so interest charges will not be much lower in the second half. The company's hotel and food interests, which contributed about 30 per cent of trading profits last year, are already being squeezed and likely to remain under recessionary pressure. Meantime the $7.5m investment in the film, Loophole, on which the company pins high hopes, is still in the labs and even if successful will not contribute to profits substantially until 1981. Trading profits are likely to be marginally higher thanks to its expanding video interests but pre-tax profits for the year could be halved to £0.75m. High interest rates have put the company's acquisition plans temporarily on ice. At 57p, down 7p, the prospective yield, assuming an unchanged final dividend, is 4.4 per cent. The prospective p/e, fully taxed, is 11.1.

● comment

Brent Walker's share price fell by about a tenth yesterday after a dismal set of interim figures with attributable earnings down by around 80 per cent. The

LINK HOUSE CAUTIOUS

Mr. R. J. Wenn, chief executive of Link House Publications, warned shareholders at the company's annual meeting not to expect growth in the current year to match that of last year.

"We must adopt an attitude of caution," he said, "though I am confident that growth will continue overall."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Berry Trust	1.44	Dec. 13	1.25	1.44	1.25
Brent Walker ......int.	0.35	Dec. 11	0.35	—	1.75
Graig Shipping ......int.	10	Dec. 15	5	—	25‡

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Including a special 10p anniversary payment.

● NEWS ANALYSIS—NEWMAN INDUSTRIES

A badly needed £8m capital injection

BY RAY MAUGHAN

AFTER A year of boardroom upheaval, a major legal battle and a severe profit shortfall, Newman Industries has arranged through Guinness Mahon a "badly needed capital injection" worth some £8m from a Singapore-based vehicle distributor, Cycle and Carriage, in exchange for control.

Under the terms of the agreement, which must be approved by shareholders in both companies, C. and C. will subscribe for 15m new ordinary 25p Newman shares at a price of 30p per share and for £3.6m 10 per cent convertible unsecured loan stock 1990. This is convertible at any time into 9m new ordinary shares at a price of 40p per share. The issue of new shares will result in C. and C. holding 40.41 per cent of Newman equity which would rise to 51.4 per cent on conversion. It currently controls 4.4 per cent.

The chairman of Newman, Mr. John Williams, has written to shareholders, warning that "a combination of world recession, high interest rates and high sterling values has confronted Newman with problems of such severity that firm steps are now necessary to redress what is potentially an unmanageable situation."

He explained that borrowings had risen from £23.2m to £26.7m between the end of 1979 and October 10 this year. "This increase in 1980 arises not only from the ill-timed and unfortunate purchase of Ceramic Inc. but also from continuing losses in the electric motors and ceramics divisions and inadequate cash flows in other businesses."

Mr. Williams has been assessing Newman's strengths and weaknesses since he was elected chairman in July and concluded that "our finances were not strong enough for the job in hand."

Newman will publish its interim results for 1980 on Guy Fawkes Day but is warning that the small profit achieved in the half year has been more than consumed by losses in the third-quarter. The outlook, particularly in export markets on which the group is heavily dependent, is poor. Further rationalisation costs wil be incurred.

Profits stated to slide badly last year. After a pre-tax surplus of £6.22m in 1978 they fell to just £378,000 which, after heavy redundancy costs, provisions against investments and irrecoverable ACT, translated to an attributable loss of £3.74m. Net worth fell to £18.5m which included a £3.9m preference interest.

At about the time the accounts for the year were being prepared, Newman and its former chairman, Mr. Alan Bartlett, were featured in a long and most unusual legal battles. Prudential Assurance which held some 4 per cent of the shares brought an action to contest a deal struck in 1975 whereby Mr. Bartlett and a colleague arranged for Newman to buy Thomas Poole and Gladstone China in which they had substantial interests. The courts found that they had published "a tricky and misleading circular" to bring off the acquisition. Mr. Bartlett took leave of absence from the Newman board last February and was asked to resign the following month. Before he left, Newman bought a U.S. business, Ceramix Inc., for £1.7m.

The ceramics division as a whole is causing the most trouble. It turned down from a £992,000 pre-tax profit to a loss of £1.13m last year and although one of the four potteries in Stoke has been closed, further surgery will be required. For the moment, the extent of losses in each unit is obscured by a £3m promotional order from Nestlé, which will make most impact next year, and the possibility that Newman will win a similar large order.

The first of Mr. Williams' aims is to eliminate unprofitable activities. It is a measure of Newman's penury, however, that it has not been able to bear the cost of closing some of its peripheral businesses, being forced instead to accept the smaller but continuing trading losses.

Armed with the Singapore cash, Newman intends to start the required rationalisation in earnest and its efforts to match a diminishing market with physical capacity will also turn on the electric motors division, which produces the 4-100 horse power industrial electric motors for which the group is best known.

The payroll at the Avon factory was trimmed by 250 in October last year but losses continued after a fall in profits from £1.61m to just £179,000 in 1979. Given that over half its output is exported, the problems of high sterling parities are severe indeed.

C and C's hopes for a medium term return on its commitment will rest largely on the Avdel division. Acquired by Newman in two stages in 1978, Avdel manufactures fastener systems and installations predominantly for the aerospace industries. Its profits last year were flat at £4.1m.

With net tangible assets of £27.02m and profits last year of £12.08m before tax, C and C adds significant financial strength without being major international company. The two sides have been linked since 1974 in a joint venture and in the search for diversification outside one of its chief trading bases—Malaysia—C and C first approached Newman last Spring through Hill Samuel. The New Economic Policy of Malaysia, requiring foreign companies to introduce local participation, has limited C and C's view of the potential benefits from the growth in that market. The Singapore authorities, moreover, have been trying to ease traffic congestion by curtailing the expansion of the passenger car population.

A by-product of the proposed deal is the potential dilution of London and European Group's 20.11 per cent holding to just 10.32 per cent. LEC, where the former Ralli Securities chairman, Mr. Malcolm Horsman has a seat on the board, acquired the bulk of its stake last May. The buyer was too small to contemplate a bid but was looking for Newman's recovery potential. Now, acknowledging the subsequent deterioration in Newman's cash position, LEC is "glad something positive is happening to protect our investment," according to director and company secretary, Mr. J. E. Paterson. Other shareholders may well agree.

Decca losses worse than expected

LARGER than expected losses have been incurred by Decca, the Racal Electronics subsidiary, for the year to March 31, 1980. Dut to the timing of the acquisition the results were not consolidated into Racal's accounts for the 12 months to that date.

At the pre-tax level Decca incured a loss of £12.17m (£384,000) for the period and, with special and non-recurring items taking a further £5.77m (£2.91m), the attributable deficit came out at £19.62m (£5.26m).

At halfway, when the company was £1.87m (£2.46m profit) in the red pre-tax and attributable losses totalled £3.11m (£511,000 profit), Mr. N. N. Graham Mew, the then chairman, said he expected continuing pre-tax losses in the second half of the year.

Later, in March, he said that losses had continued but at a higher rate than anticipated. The principal factor contributing to this, he explained, was a sharp deterioration in small boat radar sales resulting from the strength of sterling, increased Japanese and American competition and production delays in the introduction of new models.

Mr. E. T. Harrison, the Racal chairman, now says that in the event the deterioration in the small boat radar sector was greater than had been expected.

Good progress has been made in withdrawing from the consumer businesses and most of the record and related activities which were not subject to the sale to Polygram have now been sold or are in the process of being closed.

With regard to the television and audio business, the board is still of the opinion that it would be in the best interest of this business if it were acquired by an organisation committed to future growth in this area, and the directors are endevouring to achieve this objective in the coming months.

Capital goods activities have been reorganised but the small boat radar situation remains extremely difficult and gives cause for concern.

It is Racal's normal practice to announce interim results early in December whereas Decca's interim figures have not been published until some time later. Accounting processes are being reorganised to accord Racal's usual time scales but results for the current half year will be delayed until early in the New Year.

The Decca balanc esheet at March 31, 1980 shows shareholders' funds of £58.69m (£63.24m). Fixed assets rose from £37.02m to £48.95m, bank loans and overdrafts were up to £50.18m (£44.96m) and net current assets fell from £53.53m to £37.31m.

A statement of sources and application of funds shows a net outflow of funds of £8.24m compared with £14.72m.

Lex, Back Page

Extel buys Robert Stace for £1m

Extel Group's printing subsidiary, Burrup Mathieson and Co. (Holdings) has bought Robert Stace and Co. from Decca for £1m cash paid on completion which is close to the net asset value at the date of completion.

Stace and its subsidiary, Clout and Baker, carry on business as lithographic printers and packaging makers in Tunbridge Wells and Maidstone, Kent. Pre-tax profits of the two companies for the year to March 31, 1980, amounted to £267,000.

It is intended to continue and develop the newly acquired businesses at their existing premises.

P. Panto losses increase to £104,000 at mid-year

TAXABLE losses of P. Panto and Company rose from £58,000 to £104,000 in the 24 weeks to June 6, 1980, and the directors say they do not anticipate any better results for the year as a whole than those of last year when the group incurred a pre-tax loss of £231,675, compared with a profit of £102,542.

They add that no dividends will be recommended until the company returns to a profit earnings basis. The last payment was a final of 0.8p net for 1978.

Turnover of this wholesale distributor of confectionery, tobacco, grocery, greetings cards, toys and stationery, slipped in the 24 weeks from £12.07m to £11.81m.

There was again no tax charge leaving a net loss of £61,000 (£57,000) after extraordinary credits of £43,000, compared with £1,000.

The directors state that the closure of the Cardiff toy department indicated in the report and accounts in June has involved the company in substantial costs. However, the bulk of the trading stock has been realised and losses in that department have stopped, they add.

Their aim over the next year is the continuation of the rationalisation programme and the elimination of certain of the loss making sectors of the company.

Plans are well forward to merge the Walsall depot with that at Birmingham and to dispose of the toy department at Canning Town.

The directors believe that the result of the rationalisation policies will be a return to profitability.

SOBRANIE NAME CHANGE

Sobranie (Holdings) has changed its name to Hanover Investments (Holdings). The change became effective on October 23, 1980.

Full recovery by Lifeguard Assurance

THE LATEST report and accounts of Lifeguard Assurance for the year to June 30, 1980, show that the company has now fully recovered from the problems of five years ago and has been able to restore shareholders funds to their level prior to the troubles.

The company ran into financial difficulties during 1975 and in November of that year ceased writing new life business and reduced the level of non-guaranteed surrender values on life policies. It received a cash injection of £1.5m from its shareholders, mainly Lloyd's insurance brokers, to enable it to remain solvent and operate as a closed life fund.

Last year, the company restored surrender values to their 1975 levels. This year, after another successful financial year, it has repaid the £1.5m and restored shareholders funds to £1.175m. The accounts of the long-term funds show that during the year premium income declined, as expected with no new business, from £2.86m to £2.57m. But investment income was particularly buoyant rising 18 per cent from £5.79m to £6.86m.

Claims were slightly lower at £6.18m against £6.62m and expenses were marginally lower at £429,000. But there was a realised loss of £2.15m on sale of investments, so that after repaying £1.5m to shareholders and transferring £1.27m to profit and loss, the life funds decreased by £1.44m to £49.59m at the end of the financial year.

Mr. Victor Wood in his chairman's report, states that during the year an active switching policy was made in the gilt holdings of the company, which form the bulk of the assets. This contributed much to the increase in investment income, but resulted in losses on the sales of investments. He points out that at the year end the portfolio was on a much higher yield basis.

The actuarial valuation of assets and liabilities on June 30, 1980 showed that Lifeguard had a surplus of £149,000 and its subsidiary, Investment Annuity Life Assurance Company a surplus of £735,000. The reversionary bonus on Lifeguard with-profit contracts for the three years to June 1980 is 27 per cent of premiums paid during this period, against a rate of 25 per cent previously. The terminal bonus on claims since the year-end is also 27 per cent.

The company has also declared a reversionary bonus for the first time on Investment Annuity with-profits contracts—a simple bonus of £1 per cent of the guaranteed sum assured, plus an additional special reversionary bonus of £2 per cent to reflect earlier years.

LONDON TRADED OPTIONS

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	420	72	29	90	—	104	—	469p
BP	460	48	10	64	—	80	—	"
BP	500	32	17	44	1	61	—	"
Com. Union	160	14	25	23	100	29	—	163p
Com. Union	180	6	11	13	150	19	—	"
Cons. Gold	550	140	—	160	2	—	—	655p
Cons. Gold	600	105	10	125	—	145	—	"
Cons. Gold	650	72	24	98	10	113	—	"
Cons. Gold	700	42	18	65	36	85	—	"
Courtaulds	50	19	—	20½	5	—	—	64p
Courtaulds	60	10	5	14	—	17	—	"
GEC	550	56	26	81	—	103	—	561p
GEC	600	32	22	53	—	78	—	"
Grand Met.	140	26	20	32	6	37	—	158p
Grand Met.	160	14	11	20	7	27	—	"
Grand Met.	180	4½	20	11	1	16	—	"
ICI	330	30	24	38	—	48	3	336p
ICI	360	14	37	24	11	36	—	"
ICI	390	6	19	14	—	—	—	"
Land Secs.	353	47	5	—	—	—	—	382p
Land Secs.	390	23	48	40	—	53	5	"
Land Secs.	420	8	57	25	—	38	—	"
Marks & Sp.	90	26	3	33	—	—	—	111p
Marks & Sp.	100	17½	1	25	—	29	—	"
Marks & Sp.	110	10	58	18	—	22	—	"
Marks & Sp.	120	5	—	11	150	16	—	"
Shell	420	70	—	85	3	100	—	453p
Shell	460	42	16	56	1	74	1	"
Shell	500	24	18	38	—	52	—	"
Totals			554		483		9	

Option	Ex'rcise price	November Closing offer	November Vol.	February Closing offer	February Vol.	May Closing offer	May Vol.	Equity close
Imperial Gp.	70	5½	28	10½	15	13	—	75p
Imperial Gp.	80	1	30	5	60	7½	—	"
Lonrho	74	40	5	48	—	—	—	113p
Lonrho	84	30	20	38	—	—	—	"
Lonrho	94	20	9	28	—	—	—	"
Lonrho	104	10	28	20	—	—	—	"
Lonrho	114	3½	50	12	74	—	—	"
Lonrho	120	1½	5	9	14	15	1	"
P. & O.	120	5	—	12½	20	19	10	120p
P. & O.	130	1½	30	8	15	12½	10	"
Racal Elec.	260	89	—	103	1	—	—	345p
Racal Elec.	280	69	5	85	—	100	1	"
Racal Elec.	300	49	40	69	—	84	—	"
Racal Elec.	330	20	20	47	20	64	1	"
Racal Elec.	360	6	27	30	10	47	1	"
RTZ	414	60	3	78	—	98	—	473p
RTZ	454	22	2	52	—	70	4	"
RTZ	494	7	—	28	—	48	5	"
Totals			502		229		33	

Peaceful ride for St. Piran

St. Piran, the controversial mining and building group, had a fairly peaceful ride from shareholders at yesterday's early morning annual meeting

The chief dispute was over the board's decision to take written questions only from shareholders. A request from one shareholder that this should be put to the vote was dismissed by Mr. Malcolm Stone, chairman.

He did, however, reveal that he had seen the Stock Exchange about restoring the company's share quotation. He was hopeful that this would take place soon.

For the past 10 months, St. Piran has been under investigation by the Department of Trade.

Normally, St. Piran holds its annual meetings in London. The company said it chose Manchester this time to give shareholders a view of some of its housebuilding operations. Most questions involved South Crofty, the Cornish tin mining subsidiary, whose profits have fallen sharply.

Replying to criticisms of St. Piran's treatment of this subsidiary, Mr. Stone said preparation of the first stage of the three-to-five-year plan for the new mine was nearly complete. He said the "expected future of the mine was assured by the increasing capacity and the planned investment of £2.5m."

SPAIN

October 31	Price %	+ or −
Banco Bilbao	252	
Banco Central	281	
Banco Exterior	221	
Banco Hispano	241	
Banco Ind. Cat.	125	
Banco Madrid	141	
Banco Santander	282	
Banco Urquijo	142	−3
Banco Vizcaya	261	+1
Banco Zaragoza	220	
Dragados	108	−1
Espanola Zinc	60	−2
Fecsa	63.5	−0.2
Gal. Preciados	31	−0.2
Hidrola	66	
Iberduero	65.2	+0.2
Petroleos	113	−1
Petroliber	85	
Sogefisa	102	
Telefonica	60.2	−1.3
Union Elect.	68.5	−0.2

GOUGH COOPER

The asset backing for Gough Cooper's shares was 166p at September 30, 1979 and this was subsequently increased by 52p per share following a revaluation of properties.

Tysons returns to black

TAXABLE profits of Tysons (Contractors) recovered in the six months to June 30, 1980, to £65,217 against a loss of £167,179, while turnover was £4.51m higher at £10.61m.

Last year the company showed a total pre-tax loss of £363,000, but earlier this year the Board said the workload had shown signs of improvement and the decline in profits leading up to 1979 had reversed.

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UK COMPANY NEWS

MINING NEWS

BIDS AND DEALS

Stone-Platt sells its pump division

Stone-Platt Industries has sold its important and profitable pump division in pursuit of reduced borrowings and improved "financial balance."

The buyer is Indian Head Inc., a U.S. manufacturing company within the Thyssen-Bornemisza group, with a strong presence in the pump industry. It has offered £11.5m net for the division which had a net book value of £9.5m at the end of last year and made profits of £1m before interest and group managment charges.

The disposal, described as a "central part" of Stone-Platt's degearing strategy, will reduce

This wil, however, leave the borrowings by £14m.

total little lower than at the end of last year when they were £29.9m. Borrowings have been rising since. In June, two months after the rapidly organised bank support group restructured all borrowings, they had reached £47.5m and by September were £52.6m.

Mr. L. R. Pincott, Stone Platt's chairman, admitted yesterday that the pumps divisions was the division which "in some respects we should have least wished to sell." However, he said that it was not the group's most important business.

Although the disposal programme is considered central to the group's recovery strategy "we have other actions in mind," Mr. Pincott said. He would not confirm whether the company had approached Equity Capital for Industry, the City-sponsored finance house which was set up in 1974 to provide equity capital for companies which could not increase borrowings or raise capital from other sources.

Stone Platt is a significant force in world markets for textile machinery with annual sales of over £100m. In the last financial year the group lost just under £3m at the pre-tax level and in the first half of this year £2.5m.

Reporting those figures Mr. Pincott said that the second half would be profitable though the overall result might still be a small loss. Yesterday he said "we are getting by. I would like to sound a note of sober caution."

Gillbrooke buys Clarkson insurance holdings

Gill and Duffus, the commodity broker and trader, and Brooke Bond Liebig, the food distribution group, have acquired from shipbrokers and shipowners H. Clarkson (Holdings), all the insurance businesses trading under H. Clarkson (Insurance Holdings). The total consideration paid was about £8m.

The purchase is being made Gillbrooke (Insurance Holdings), the jointly owned insurance concern of Brooke Bond and Gill and Duffus.

Gillbrooke already owns Peek Puckle, the Lloyd's broking firm, and the activities of the two companies will merge into a group to be named Clarkson-Puckle.

Mr. Michael Martin of Gillbrooke will be chairman of the new group, and Mr. Anthony Howland Jackson, of Clarkson, a deputy chairman and chief executive.

The combined insurance brockerage of the group will be £15m, with Puckle contributing £2m and Clarkson the remainder.

The combined groups will show a pre-tax profit of £1.8m. With the 850 employees of Clarkson and the 150 employees of Puckle, the combined strength of the group will be 1,000.

Clarkson has freehold property in Canterbury valued at £2.9m which forms part of the deal.

The price paid "envisaged a number of aspects of contingent liabilities," said Mr. Martin yesterday, but "the purchasers are completely happy."

Up to a half of the group's combined business will come from UK insurances.

In addition to marine, non-marine, aviation, life and pensions insurance and reinsurance, the range of services will include particular experience in foods and commodities. Other specialist activities will be pollution liability insurance and off-shore construction risks.

Mr. David Berliand becomes a deputy chairman in the new group. Mr. J. N. Peyton-Jones has decided to retire as chairman of the Clarkson Insurance Group, but has accepted an invitation to become a Gillbrooke director.

The latest move marks another attempt by the smaller insurance broking groups to expand until they can compete with and protect their positions against the growing influence of other big insurance brokers in the Lloyd's community.

FORWARD TECHNOLOGY

Jenboame, a subsidiary of Forward Technology Industries, owned as to 90.3 per cent by FTI and 9.7 per cent by Mr. T. P. Callaghan, a director of FTI, is acquiring 63.7 per cent of Dicoll Electronics of Basingstoke, Hants.

The initial consideration payable amounts to £701,760 and an additional amount of up to £62,000 may be payable, based on the profits for 1981.

BENTHAM BACKED

Midland Bank Industrial Finance and County Bank have each provided £400,000 in a joint equity and loan package to the newly formed company, Bentham International, to buy Sandvik UK's industrial pipe manufacturing Bentham Works at Gloucester.

Academy record label gets City backing

A private placing of shares and unsecured loan stock has been arranged for Academy Sound and Vision, a new classical and spoken word recording company.

The financing has been arranged by Henry Ansbacher and Co., in conjunction with brokers, Carr Sebag and Co. Subscribing institutions include Henderson Administration, John Govett and Co., and Trustees Corporation, one of the Touche Remnant companies.

Managing director of the company is Mr. Harley Usill, formerly of Argo Records.

KUWAIT INVESTMENT

Kuwait Investment Office has acquired further shares in Scottish Ontario Investment, Pentland Investment Trust, Sterling Trust and Harrisons and Crosfield.

It now holds 3,615,000 (13.1 per cent) Scottish Ontario ordinary shares, 1,494,500 in Pentland, 955,000 (5.85 per cent) in Sterling and 4,490,917 (7.68 per cent) in Harrisons.

Kean and Scott chairman to reject Hawley offer

DOCUMENTS HAVE been sent to shareholders of Kean and Scott detailing a cash offer by Hawley Leisure, a proposed increase in the authorised share capital of Kean and Scott, and a proposed rights issue of 3.36m shares at 25p per share, which will raise £810,000 (net of expenses).

Mr. M. Levein, chairman of Kean and Scott, in an accompanying letter to shareholders says that he does not intend to accept the 20p per share offer for 37,282 ordinary shares which "I and my wife continued to hold."

The independent directors of Keat and Scott consider it inappropriate to participate in any recommendation. The chairman points out that having regard to prevailing market prices, shareholders will most probably be able to obtain a better price for their shares in the market.

Hawley Leisure, which owns 29.76 per cent of Kean and Scott, will take up its full entitlement of 1m new shares.

LJA Management Services, a company controlled by Hawley chairman, Mr. Michael Ashcroft has agreed to subscribe or procure subscribers for up to 800,000 new shares if a net price in excess of 25p per share cannot be obtained in respect of rights not tapen up by shareholders.

STARTRITE ENG.

The chairman of Startrite Engineering Group, Mr. W. R. Bunce, says in his annual report that following steps taken by the Board to conserve resources, together with the centralisation of group administration at the Gillingham plant, he believes that the group is in a strong financial, as well as market, position to benefit from the recovery when it takes place and then to resume the group's successful development and growth.

Offer values Dorrington at £7.6m

Hanover Acceptances Finance, a wholly-owned subsidiary of a private concern registered in England, has made an agreed offer for Dorington Investment Company, the property dealer and developer. The cash offer of 125p per ordinary share places a value of £7.6m on Dorrington.

Hanover is a wholly-owned subsidiary of Hanover Acceptances, which, together with its subsidiaries, are engaged in property investment, management, development and dealing, insurance broking and general management financial services.

The major portion of Dorrington's property dealing portfolio comprises residential property in London and south-east England. In addition, Dorrington has a wholy-owned subsidiary engaged in building and constructing. Hanover intends to continue to develop the business of Dorrington.

Under the terms of the offer 125p per share is beign offered for each ordinary 10p share in Dorrington.

Ordinary shareholders in Dorrington will be entitled to receive and retain the interim dividend of 2.1p net to be paid in respect of the six months ended September 30, 1980.

The Dorrington Board, other than those closely associated with Hanover recommend acceptance and will accept in respect of 129,037 sha-es (2.1 per cent).

Hanover owns no Dorrington shares but two associates of Hanover, London Consolidated Investments and Waltonite hold in aggregate 3.83m ordinary shares in Dorrington representing some 62.8 per cent of the issued share capital.

The associates have informed Hanover that they will accept the offer in respect of their shareholdings.

ISSUE NEWS

Phoenix Mng. dealings to resume

DEALINGS IN the shares of Phoenix Mining and Finance, which were suspended last November, are due to resume on the Stock Exchange on Friday following a change of control, a £1.25m purchase of industrial properties and a placing of 2.9m new shares at their 25p par value.

In October, 1979, a consortium of eight investors bought a 50.5 per cent interest in Phoenix, then a fading mining finance company whose remaining £409,000 in net assets at September 30 last year consisted mainly of cash and quoted investments. In accordance with the City Code on Takeovers and Mergers, the consortium made a general offer for the remaining shares and then placed some of those acquired such it was left with 666,506 shares—or 41.66 per cent of those issued.

The shares were then suspended pending clarification of the consortium's plans for Phoenix. Last month, in a letter to shareholders, the new chairman, Mr. I. C. Elliott, who is not a member of the consortium, said the company proposed buying two industrial estates in Derbyshire and Nottinghamshire and 6.5 acres of development land in Derbyshire from Burrows (Builders), a private company whose three shareholders are also members of the consortium investing in Phoenix.

The £1.25m purchase price is being paid by the issue of 5m new 25p shares at par. Burrows, in turn, is to distribute 2.1m of these shares to its shareholders in repayment of certain loans and Montague, Loebl, Stanley is placing the remaining 2.9m at 25p a share.

Of the shares in the placing, 725,000 are being made available to the public, 208,000 are to be taken up by members of the consortium and 52,063 are being placed with Mr. Elliot.

As a result of the various share transactions, the consortium ends up holding 45.07 per cent of the £1.65m share capital.

The investment properties (the purchase was approved at an EGM yesterday) have been valued independently at £1.48m and produced rental revenue of £79,470 in the year ended on March 31, 1980.

● comment

Phoenix is emerging as a property company with net asset value per share of only slightly less than the placing price. While industrial property might seem a dubious sector in the current recession, the company believes that this is where the best opportunities can be found. Average rentals on the acquired properties are about £1 a sq ft which leaves lots of room for increases and more than 60 per cent of the space is let to public companies. Phoenix's small borrowings are more than covered by its cash balances although the group may borrow to develop its remaining properties. The shares are expected to rise to more than 30p when trading resumes.

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	April Vol.	April Las.	July Vol.	July Last	Stock
ABN C	F.300	3	8.50B	3	12B	—	—	F.294
ABN C	F.330	10	3.50	—	—	—	—	"
AKZO C	F.17.50	—	—	—	—	14	2.60	F.18.70
AKZO C	F.20	38	0.50	46	1.20	3	1.50	"
AKZO P	F.20	8	1.60	—	—	—	—	"
AKZO P	F.22.50	10	3.70	1	39.08	—	—	"
AMRO C	F.65	8	1.50	—	—	—	—	F.62.20
HEIN C	F.55	3	1	15	2	—	—	F.49.60
HEIN C	F.60	9	0.30	—	—	—	—	"
HOOG C	F.15	—	—	—	—	10	1	F.13
IBM C	$65	—	—	1	7⅛	1	9	$66½
IBM C	$70	5	2⅛	—	—	—	—	"
IBM P	$70	5	4⅝	—	—	—	—	"
KLM C	F.55	2	9	10	9.50	—	—	F.63
KLM C	F.60	9	4.50	—	—	—	—	"
KLM C	F.70	15	1A	24	2.50	20	3.60	"
KLM P	F.55	28	1.60	12	2.90	20	4.20	"
KLM P	F.60	23	3.80B	1	5.70	—	—	"
KLM P	F.70	1	9	—	—	—	—	"
NATN C	F.120	2	2.90	—	—	—	—	F.117.60
PETR C	Fr.6500	5	220	4	340	—	—	Fr.6470
PHIL C	F.17.50	88	0.50	5	0.80	14	1	F.16.50
PHIL C	F.20	3	0.10	126	0.20	—	—	"
PHIL P	F.15	—	—	10	0.40	—	—	"
PHIL P	F.17.50	10	1.40	7	1.70 A	—	—	"
PHIL P	F.20	1	3.60	—	—	—	—	"
OLIE C	F.160	6	51	—	—	—	—	F.210.50
OLIE C	F.170	23	42	5	45	—	—	"
OLIE C	F.180	65	32A	11	36	—	—	"
OLIE C	F.190	70	23.50	4	26	—	—	"
OLIE C	F.200	469	16.90	196	20.50	1	22	"
OLIE C	F.220	510	7.60	273	10.90	51	12	"
OLIE P	F.160	135	0.20	—	—	—	—	"
OLIE P	F.180	70	0.80	13	2.20	—	—	"
OLIE P	F.190	300	1.90	10	4.20	—	—	"
OLIE P	F.200	243	4.30	115	7.50	—	—	"
OLIE P	F.200	117	13	10	15	—	—	"
ATT C	$50	—	—	1	3	—	—	$49⅞
UNIL C	F.120	5	460	—	—	—	—	F.123.40
UNIL C	F.130	5	1.30	1	1.70	—	—	"
UNIL P	F.120	—	—	—	—	1	5.60	"
EXON C	$70	—	—	—	—	6	10½	$76½
XERO C	$60	—	—	—	—	6	10	$65½
XERO C	$70	1	1¼	—	—	—	—	"
		Nov.		Feb.		May		
BOEI P	$40	—	—	2	2	—	—	$36⅛
BASF C	DM.130	—	—	2	2	—	—	DM128.40
SLUM C	$120	—	—	—	—	1	10	$108¼
SLY C	$80	1	29½	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 3350

C=Call P=Put

Scan Data Intnl. plans unlisted market placing

WEST SUSSEX computing services group, Scan Data International, is planning to come to the new Unlisted Securities Market next week by way of a placing of 400,000 shares, 17.8 per cent of those issued, at 125p a share.

The company itself lasrsiing

The company itself is raising a net £300,000 from the issue of 250,000 new shares while the remaining shares in the placing are being sold by Gartmore Investment, reducing its holding to 35 per cent, and by Mr. John Baldwin, managing director, reducing his holding to 42 per cent.

The company is raising money to enable it to expand its leasing activities. Scan Data supplies mini and micro computers and provides engineering maintenance and ancillary supplies. In the past 12 months, it has served more than 600 customers, all of whom represented less than 5 per cent of turnover.

Pre-tax profit in the year ended on November 30, 1979 was £162,000 on revnue of £1.85m. The group had a pre-tax loss of £28,000 in 1976 and profit of £34,000 in 1977 and £76,000 in 1978.

The directors forecast that pre-tax profit will be not less than £250,000 in the current year on turnover of £2.5m. No dividend will be paid in the current year but the directors plan to pay a 2p dividend in respect of 1981.

The placing is being made by Cayzer. Brokers to the placing are Williams de Broe Hill Chaplin.

Rights results

Acceptances have been received in respect of 98.5 per cent of the 4.4m shares in Argyl Foods offered last month by way of a rights issue on the basis of one new share at 54p for every six held.

Huntleigh Group's offer by way of rights of 2,388,408 new ordinary shares at 80p per share has been accepted in respect of 2.31m shares (96.55 per cent).

The recent rights issue of Commercial Bank of the Near East was accepted as to 97 per cent.

Rio Algom's earnings losing their shine

BY KENNETH MARSTON, MINING EDITOR

AT FIRST sight the nine-month net earnings of Canada's Rio Algom make a good showing at C$55.8m (£19.5m) compared with C$45.8m in the same period of last year. But closer reading gives a less encouraging picture.

For a start, the latest figures contain the benefit of a C$7.6m reduction in tax charges. Furthermore, earnings in the third quarter fell to C$11.6m from C$16m in the second quarter and C$28.2m in the first three months of the year.

Even so, pre-tax earnings for the first nine months of 1980 are C$6.3m up on those of a year ago. The main reason for this is the increased profit of the speciality steel operations, notably at the Tracy plant of Atlas Steels. In 1979, however, Tracy was hit by a strike which began on March 21 and lasted for the rest of the year.

Rio Algom's 68.1 per cent-owned Lornex Mining has earned C$52.4m in the first nine months compared with only C$40.2m in the same period of last year.

But, here again, profits have fallen in each of the past two quarters, mainly because of much lower prices for the two quarters, mainly because of much lower prices for the British Columbia mine's molybdenum and higher costs; the mine increased output of molybdenum by as much as 31 per cent in the period.

Rio Algom's revenue from uranium has increased this year, but the benefits of this have been offset by the higher costs, notably those incurred in the Elliot Lake mining expansion.

Last year Rio Algom raised earnings to C$18.7m in the third quarter and advanced them further in the final quarter to bring the year's total to C$75.8m.

Unless, therefore, there is a sharp pick-up in the current quarter's earnings—and this seems unlikely—total earnings for 1980 are going to fall short of those for 1979. Meanwhile, the Rio Tinto-Zinc group company is maintaining its semi-annual dividend rate of 75 cents.

RABBIT WARREN GOLD PROSPECT ATTRACTS BOND

Australia's Bond Corporation Holdings is reported to be negotiating for an interest in the intriguing Rabbit Warren gold prospect near Leonora in Western Australia.

Leases covering part of the area are held by Cliffminex and Mr. Alan Bond says that a decision on whether the deal will go through is expected by the end of the week. He has refused to comment further.

Interest in the prospect has been stirred following the finding of some gold nuggets there, but it is otherwise unproven.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Ambrose Investment Trust, Bradford Property Trust, Clement Clarke, Continental and Industrial Trust, Gordon and Gotch, Polymark International, Roberts Adlard, St George's Laundry (Worcester), Scotcros, Sketchley, Tongaat Corn.

Finals—Allied London Properties, A. Arenson, Martinair International, Safeguard Industrial Investments.

FUTURE DATES

Interims—	
Associated British Foods	Nov. 10
Black Arrow	Nov. 17
Chesterfield Properties	Nov. 10
Electrocomponents	Nov. 10
Ferguson Industrial	Nov. 10
Foster (John)	Nov. 20
Heath (C.E.)	Nov. 25
Newman Industries	Nov. 5
Finals—	
Hawthorn (R. and W.) Leslie	Nov. 11
Morland	Nov. 13
Renong Tin Dredging	Nov. 7

Further good gold values at Bamboo Creek

THE THIRD hole drilled by CRA Exploration and Kitchener Mining as joint venture partners at the old Prophecy-Perseverance gold prospect near Western Australia's Bamboo Creek has intersected further significant gold values.

The hole, KD3A, was drilled as a replacement for KD3, which was abandoned short of the lode zone due to drilling difficulties.

KD3A, the third in a four-hole programme, intersected ore with an average grade of 12.5 grammes of gold per tonne over a depth of 3.2 metres, and this included 0.42 metres grading a rich 57 grammes per tonne.

An additional result was reported for KD2, which encountered a 0.3 metre section assaying 62.4 grammes of gold and 44 grammes of silver per tonne. Drilling on the fourth hole, KD4, is proceeding.

The companies said that evaluation drilling on the Prophecy and Kitchener shoots will follow soon, and a feasibility study will be started as soon as possible. CRA explanation and Kitchener are equal partners in the venture.

CRA, which is 61.1 per cent owned by Rio Tinto-Zinc, also released details of the last quarter's production and exploration activities yesterday. The group spent A$12.1m (£5.9m) during the quarter on exploration for lead, zinc, copper, uranium, gold, diamonds, oil shale, coal and tin, both in Australia and overseas.

ROUND-UP

A diversification into large-scale alluvial gold dredging at the Mikonui river valley on the west coast of New Zealand's South Island at a cost of some A$25m (£12m) is envisaged by MIM Holdings. Alluvial Dredges of Paisley, Scotland, have been commissioned to provide a basic design for a bucket ladder dredge and it is planned to have the design completed early next year after which a decision on the project can be expected. Lime and Marble, a subsidiary of New Zealand's TNL group can earn up to a 30 per cent stake in the venture which would eliminate the country's dependence on imported gold.

* * *

In Australia, Endeavour Resources has agreed to purchase the Rhondda colliery in Queensland for A$17.5m (£8.4m). The colliery supplies the Swanbank power station which will take 550,000 tonnes of coal in the coming year. Surplus production, possibly of 150,000 tonnes, will be available for export providing the usual permits are granted.

Western Mining gold income

INCOME FROM gold "is likely to assume even greater importance in the future" for Australia's Western Mining, notes Mr. Arvi Parbo in his chairman's statement with the major mining concern's annual report.

He points out that apart from the existing gold producing operations, preparatory work is under way to resume gold production at Fimiston, Mt. Magnet and Lancefield in Western Australia while a gold orebody is under development at the Hunt mine at Kambalda.

Good progress is reported with the development of the group's two major projects. Of these, the Yeelirrie uranium project in Western Australia is expected to start production in 1985-86 at a rate of 2,500 tonnes of uranium oxide a year.

The other venture is the huge Olympic Dam copper-uranium-gold project at Roxby Downs in South Australia where Western Mining is partnered by British Petroleum on a 51-49 per cent basis. Exploration and evaluation of this huge deposit is expected to take several years.

Western Mining is, itself, essentially a long term investment and possibly one of the best. In the near term, rising gold income should help to offset any decline in the group's nickel and other base metal activities. The shares were at a year's high of 320p yesterday.

U.S. CHEMICAL INDUSTRY

Pulling out of an earnings dive

BY DAVID TONGE IN NEW YORK

THE GRISLY third-quarter results announced by the U.S. chemical industry have been those of the economy as a whole writ large. The tone for the summer was set when the industry's sales began to glummet in April and May.

Now its executives say that demand turned round in August. But "celebrations may prove premature," according to Mr. Robert D. Hardiman, chemicals analyst of Merrill Lynch, Pierce Fenner and Smith. He sees third-quarter sales picking up in part as a reaction to the second quarter's tailspin. He warns "a more normal recession" could be on the way.

Abroad, worsening business conditions in Europe are causing export growth, the spur to last year's profit bonanza by the U.S. chemicals industry, to slow.

The EEC's complaints about unfair competition from U.S. producers continue, but the U.S. companies are saying that over the next couple of years their cost advantage — now estimated at 15 per cent—could disappear.

The quarter was "one of the most difficult periods in recent times" according to Mr. John Hanley chairman of Monsanto. Five of the big six companies recorded profits down between 14 and 70 per cent compared with the third quarter of 1979. Only W. R. Grace bucked the trend: its profitable oil and gas interests made up for its problems elsewhere.

The run-down of stocks in the spring contributed to a sharp drop in sales in April and May and to their remaining low throughout the summer as the recession gathered pace. Upstream producers such as Dow Chemical have been feeling the chill winds. Its heavy investment programme has resulted in new capacity coming on stream in a way which has worsened its capacity problems. Its plant-use ratio fell from an optimal 85 per cent of capacity in January to 65 per cent in July, though it has now recovered to around 75 per cent, according to Dow.

Companies more heavily concentrated in downstream operations, such as Du Pont, have been badly hit by the downturn in demand from the motor and construction industries. Celanese may have seen its polyester fibre division return to profitability, but Du Pont says its fibres division has borne the brunt of the recession.

One exception to this pattern has been agricultural chemicals, in particular fertilisers. Demand has held up at home and abroad. The prospect of rising prices means companies in this industry expect the sector to continue to show up brightly against the gloom.

A recent analysis by Merrill Lynch argues that overall customer stocks could be slashed by the equivalent of 6.5 per cent of industry output this year — or almost the same share as the industry now exports.

The big companies have been complaining of softer European markets. In the first six months, chemical exports rose 19 per cent on last year's figures to $3.6bn, and amounted to almost 10 per cent of all U.S. exports. Recently, the growth of exports has slowed slightly. In July and August, exports were 20 per cent up on last year's comparable figures.

The U.S. companies would have one believe that, apart from a slowdown in Europe, there has also been the beginnings of a long-term erosion of their price advantages.

Natural gas accounts for half of the U.S. chemical industry's raw materials and has been spared the dramatic price rises which naphtha—the oil-derivative which is the basic European feedstock—went through in 1979. Naphtha prices have recently been easing slightly and the U.S. industry is disturbed by the phased decontrol of oil prices inflation clauses contracts and the expiry of low-price gas contracts.

But the most crucial move, the decontrol of most natural gas prices, is not to begin until 1985—and on recently discovered gas, controls could then be reintroduced to be effective until around June 1989.

Competition is also expected to stiffen from Government-controlled producers in Europe and in the Third World from oil producers moving into petrochemicals.

Another bogey for the U.S. industry is the environmental controls it faces and the continuing public pressure to tighten these. Mr. Lang argues that the U.S. industry already has to deal with environmental controls far broader and tougher than those facing their major European competitors such as Hoechst, Bayer and BASF, each of whose total sales exceeds those of Du Pont.

Last year, despite the record profits of the chemical companies, their stocks only marginally outperformed the market. This year, the stocks have stood up relatively well to the figures the companies have turned in. But whether they will recover their faded sheen depends on the course of the U.S. economy. For now, the crystal ball is as murky as the polluted waters of Love Canal, that poisonous chemical dumping ground near the Niagara Falls which stands as monument to the uncontrolled chemical industry of yesteryear.

U.S. CHEMICAL INDUSTRY RESULTS

	Nine-month sales $bn	Nine-month net profits $m	Third-quarter net profits $m
Du Pont	10.15 (+8%)	510 (−30%)	89 (−65%)
DOW	7.85 (+15%)	562 (−9.5%)	161 (−19%)
Union Carbide*	7.3 (+8%)	524 (+3%)	154 (−14%)
Monsanto	4.9 (+6%)	217 (−32%)	30 (−70%)
W. R. Grace	4.4 (+15%)	216 (+33%)	68 (+53%)
Celanese	2.4 (+4%)	82 (−28%)	21 (−43%)

* Excludes effects of change of accounting practices. This year 1979 figures adjusted to comparable basis

Massey's Canadian staff make concessions

BY IAN HARGREAVES IN NEW YORK

MASSEY - FERGUSON, the troubled Canadian farm machinery company, has obtained significant concessions from its Canadian workers in a three-year pay contract just concluded.

The United Autoworkers Union said there had been an 80 per cent vote in favour of the contract, which will provide annual pay increments of 3 per cent in each of the next three years.

An additional component of the deal is indexed to the cost of living, as is usual in UAW agreemnts, but Massey workers have agreed to defer their next increase under this formula until next June. Massey's payments into the Canadian pension fund have also been reduced, by agreement.

The union said the concessions had been made "in response to the company's request for aid in its refinancing programme."

Negotiations on that programme are currently under way in Europe, with Mr. Victor Rice, Massey's chairman, leading talks with the company's European bankers.

Talks with Massey's U.S. bankers are due to start in Toronto tomorrow.

Until these discussions are complete, it will be difficult to assess any likely timetable for an announcement of a firm refinancing plan for Massey, which the Canadian federal Government and the provincial government of Ontario have both undertaken to support.

Meanwhile, the slow recall of Massey's laid-off workers in North America has begun, with the resumption yesterday of some operations at he company's main Brantford, Ontario, plant for the production of combine harvesters. Full production will resume on November 17.

MacMillan Bloedel earnings in decline

By Robert Gibbens in Montreal

MACMILLAN BLOEDEL, Canada's largest forest products company, recorded lower third quarter earnings because of weakness in timber and plywood markets worldwide.

Earnings for the quarter were $25.2m or $1.12 a share, against $27.8m or $1.24 a share. In the first nine months, profits were $107.5m or $4.87 a share against $113.3m, $5.37 a share, on revenues of $1.88bn against $1.64bn.

The company sal dthe third quarter reflected a weak trend in housing starts in North America as well as weakness in overseas markets for timber and plywood: the company sells the latter products to Asia and Europe. However, markets for pulp, newsprint and fine papers continued firm. Industrial packaging declined, particularly in the UK market, but linerboard markets were generally firm.

In 1981, the company expects the North American economic recovery to stimulate housing activity. Sales of pulp, newsprint and fine papers should remain strong until the year-end, and newsprint should stay reasonably strong throughout the first half of 1981. Packaging should improve during 1981.

The company is spending about $330m on plant and equipment, including expansion of its forest products complex in the southern U.S. [All figures are expressed in Canadian dollars.]

Discussions concerning the proposed acquisition of Great Basins Petroleum Company by Phillips Petroleum have been terminated, write our Financial Staff. Phillips said the transaction could not be consummated because the Canadian Government, under the Canadian Foreign Investment Review Act, refused to allow the acquisition. The two companies announced an agreement in principle concerning the proposed acquisition last March.

Great Basins directors are meeting this week to consider alternative opportunities, either for disposition of the assets or sale of the company.

Wall Street brokerage fees set to rise

By Our New York Staff

WALL STREET brokerage commissions are set for an increase with the announcement by Merrill Lynch, New York's largest broker, of a 5 per cent increase in its charges from November 14.

Merrill is traditionally the price leader on Wall Street and it has been expected for some time to post an increase, in spite of the company's recent surge in profits. This is sure to lead to some criticism of the move.

Merrill, however, has not increased brokerage fees since early 1979, when they went up by 3 per cent.

Profits are booming on Wall Street at present because of the large volume of business being conducted, especially on the stock exchanges, which in turn is a product of the volatility of economic conditions and financial markets in the last year.

Third-quarter profits rise at Greyhound

By Terry Byland

GREYHOUND Corporation, whose interests now include financing, leasing and insurance services and food production, as well as bus services, has managed to increase sales and earnings third quarter, although totals for the first nine months remain barely at break-even point. The company operates the nation's largest bus system although this provides only about 35 per cent of group earnings.

Net earnings increased in the third quarter by 6.6 per cent to $43.4m or 98 cents a share, on sales 6 per cent up at $1.25bn. At the six-month stage, profits were 20 per cent down, and sales some 2.2 per cent lower.

The company points out that the nine-month total has been restated to reverse a $6.1m provision for the planned closure of the Armour Beef plants in Texas and Idaho.

Greyhound expects earnings for the year to be its "second best" ever, with net income "well in excess" of $100m. Last year Greyhound earned a record $123m.

Armour Food operatins had a "large loss" in the 1980 nine months due to lagging processed meats operations, but are responding to corrective measures.

In September, the company rescinded the planned closing of the Armour Beef plant after the union representing employees there agreed to productivity improvement measures.

Dow to buy prescription drug operations of Merrell

BY PAUL BETTS IN NEW YORK

DOW CHEMICAL, the largest U.S. producer of basic chemicals, has reached a definitive agreement to acquire for $260m the prescription drug operations of Richardson-Merrell, the Connecticut-based pharmaceutical concern. The deal is expected to strengthen substantially Dow's downstream operations in secondary chemicals.

The transaction will transform Dow into a major worldwide drug industry competitor. Mr. Paul Oreffice, Dow's president, said: "This acquisition is a major step in the development of Dow's pharmaceutical business." Indeed, the combination of Dow's pharmaceutical interests in the U.S., the operations of its Italian subsidiary, Lepetiti, and Merrell's domestic and international business are expected to generate annual sales of about $800m.

But the acquisition, which will involve the exchange of Dow stock valued at $260m for Richardson-Merrell shares, will not include the sale of Richardson-Merrell's consumer products, chemical and diagnostics businesses. These will be incorporated into a new company, which will include the Vicks line of over-the-counter decongestants and other consumer specialty products.

According to Richardson-Merrell the transaction will now enable it to concentrate on the company's fastest-growing and most profitable businesses. Mr. John Scott, the company's president, said that the group's major strength had always been its worldwide consumer products business, which accounted for 68 per cent of the company's $1.2bn annual sales and 86 per cent of its operating profits last year.

"As we reviewed the outlook for our company, we determined that we could operate most efficiently and profitably in our areas of major strength. The formation of this new company will permit us to concentrate our corporate and financial resources in those businesses where we have clearly established positions of market leadership," Mr. Scott said.

But the new company will not be called Merrell, as according to the terms of Dow's acquisition of Merrell's ethical pharmaceutical business, Dow has also acquired the name "Merrell."

Merrell also indicated that to take full advantage of the potential of its ethical and prescription drugs business, it was felt that Dow, with its greater research and development resources, could ensure it the necessary backup for its future growth. Indeed, Dow said the businesses it was acquiring from Merrell would complement Dow's existing activities in the health care sector and offer substantial growth opportunity.

INTERNATIONAL CAPITAL MARKETS

Major Eurobond sectors weak

BY OUR EUROMARKETS STAFF

ALL MAJOR sectors of the international bond markets weakened yesterday ahead of the U.S. Presidential election and after renewed gains by the dollar against the Deutsche Mark and Swiss franc in the foreign exchange markets.

But there was no heavy selling in any market despite a further increase in Eurodollar deposit rates coupled with widespread predictions of a further hike in the U.S. discount rate. Investors in all currencies stayed on the sidelines leaving dealers to mark prices down in fairly thin trading.

In Germany, Dresdner Bank confirmed that it was going ahead with its scheduled DM 150m private placement for Sweden. There had been some doubts by market participants that the issue would be launched as Dresdner postponed a DM 100m issue as the market deteriorated last week. Sweden will pay a 9¼ per cent coupon on the seven-year bullet issue which is understood to be priced at 99½ per cent.

On the secondary market, D-Mark foreign bonds fell by ¾ of a point as the currency slipped to DM 1.91 against the dollar. Fears this could lead to tighter German interest rates also affected the domestic market where prices slipped ¾ of a point, prompting substantial Bundesbank support buying.

The European Investment Bank si tapping the Swiss franc market for SwFr 100m through Credit Suisse. It will pay a 6 per cent coupon on this 10-year public issue, which is priced at par. Norges Hypothekforening for Naehringslivet, a Norwegian mortgage bank, is to borrow SwFr 60m in a public issue. The 10-year issue is o nidentical terms to that of the EIB.

Union Bank of Switzerland has arranged a two tranche private placement for Grundig. The first SwFr 50m tranche is for seven years and carries a 6 per cent coupon, while the second tranche, also of SwFr 50m, is for five years at /¾ per cent.

On the secondary market Swiss franc issues were mixed to lower while straight dollar Eurobonds edged down by ¼ point.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on November 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CECA 11½ 88	100	91⅞	92¾	−0½	−1⅞	13.20
CFE 13 87	75	†92	92¾	0	0	14.82
Citicorp O/S Fin. 10 86	300	85⅞	86⅛	−0⅛	−2⅛	13.64
Citicorp O/S Fin. 12 87	200	92½	92⅞	−0⅛	−2	13.76
Con. Illinois O/S 9⅞ 86	150	84¾	84⅞	0	−2⅛	13.80
Denmark 11¾ 90	100	90½	91	−0¼	−1⅞	13.49
Dome Petroleum 13½ 92	50	95⅞	96⅜	−0¼	−1⅛	14.16
EEC 11 95 (May)	75	85⅞	86	−0¼	−2⅛	13.23
EEC 11 95 (August)	70	84⅞	85⅛	−0⅛	−1⅞	13.38
EIB 13¾ 90	100	99¼	99⅝	−0⅛	−2⅛	13.83
Eksportfinans 9½ 87	75	84	84½	−0⅛	−1⅛	13.15
Elec. de France 10 88	125	85⅛	85⅝	−0⅛	−2⅛	13.11
Export Dv. Cpn. 12⅞ 87	100	97⅛	97⅞	−0⅛	−1⅛	13.27
Export Dv. Cpn. 9⅝ 85	150	85¼	85¾	−0¼	−2	13.53
Federal Dev. Bk. 12¾ 85	75	96⅞	97	+0⅛	−1	13.19
Fin. Exp. Credit 10½ 85	60	89⅞	90⅛	0	−0⅛	13.44
Finland Rep. of 9½ 86	100	84⅞	85⅛	0	−0⅛	13.54
Ford O/S Fin. 12⅞ 85	250	94⅜	94⅞	−0⅛	−3	14.25
GMAC O/S Fin. 13¾ 85	100	99¼	99⅝	−0⅛	−1⅛	13.47
GMAC O/S Fin. 12 78	100	91⅞	92⅛	−0⅛	−2⅛	13.83
Gen. Mtrs. O/S 11⅞ 87	100	91⅞	92⅜	−0⅛	−2⅛	13.55
Goodyear O/S 12⅞ 87	75	93⅜	94⅛	−0⅛	−2⅛	13.93
Hudson's Bay 11½ 90	75	89¼	89⅞	−0⅛	−2⅛	13.48
IBM Canada 10½ 85	50	92½	93	−0⅛	−1⅛	12.61
Int. Harvester 12⅜ 85	115	96⅛	96⅞	−0⅛	−1⅛	13.72
J. C. Penney Int 12⅞ 86	100	94⅞	95⅛	−0⅛	−0⅛	13.64
McGraw 13⅞ 85	75	97⅞	98⅛	−0⅛	−1⅛	14.10
NorWest Ind. 13⅜ 87	50	97⅛	97⅞	−0⅛	−1⅛	14.21
Nova Scotia 10⅞ 90	50	85½	86	−0⅛	−1⅛	13.44
OKB 10 85	50	89	89⅛	−0⅛	−1⅛	13.17
Pemex 11½ 88	100	87⅛	88⅛	−0⅛	−2	14.13
Quebec Hydro 11½ 92	100	87⅛	87⅞	−0⅛	−1⅛	13.65
Repsteel O/S 11½ 88	100	83⅞	84⅜	−0⅛	−0⅛	15.09
Roylease 11¾ 85	50	92⅞	93⅛	−0⅛	−1	13.33
SNCF 12⅞ 85	50	97⅛	97⅞	−0⅛	−2	13.12
Sweden 12½ 85	150	96	96½	−0½	−1⅛	13.45
Swed. Ex. Cred. 12½ 85	40	96⅞	97⅜	0	−1⅛	13.33
Swed. Ex. Cred. 12 83	50	95⅞	96⅛	−0⅛	−1⅛	13.79
Transamerica 12⅞ 83	50	96	96½	−0⅛	−1	14.00
UEB Overseas 13½ 88	50	†92½	93	−0⅛	−1	15.12
Unilever NV 9⅞ 90	100	81¼	81¾	0	−2	13.22
World Bank 9⅞ 85	200	87½	88	−0½	−2½	13.44
World Bank 10⅞ 87	300	86⅞	87⅜	−0⅛	−2⅛	13.29
Average price changes... On day −0⅛ on week −1⅞						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8½ 90	100	94⅞	95⅜	0	0	9.12
Australia 8½ 90	250	95⅛	96	−0⅛	−1⅛	8.82
Austria Rep. of 8½ 92	150	94⅛	95⅛	−0⅛	−1⅛	8.96
BFCE 8½ 95	100	91⅞	92⅛	−2½	−2⅛	9.18
CECA 7⅞ 92	150	91⅞	92⅜	−0⅛	−1⅞	8.99
Cll-Honeywell 8⅞ 90	125	95⅞	96⅛	−0⅛	−0⅛	8.98
Denmark 7⅞ 86	100	93	93½	−0⅛	−1½	9.52
Denmark 8⅞ 92	100	95	95⅜	−0⅛	−1⅛	8.91
EEC 7⅞ 94	225	90⅞	91⅛	−0⅛	−2⅛	9.03
EIB 8½ 90	200	97⅞	98⅛	0	0	8.85
Finland, Rep. of 8 86	150	95⅛	96⅛	+0⅛	−0⅛	8.98
Iberduero SA 9 90	100	97½	98⅛	+0⅛	−0½	9.33
Japan Air Lines 8⅞ 87	100	94⅛	95	0	0	9.19
Japan Dev. Bk. 7⅞ 87	100	92⅞	93⅛	−0⅛	−1⅛	9.09
Kobe, City of 8 90	100	93⅞	94⅛	−0⅛	−3⅛	8.98
Norway 7⅞ 85	250	94⅞	95	+0⅛	−1⅛	9.08
Nuclebras 9⅞ 88	100	94⅞	95⅛	0	0	10.65
OKB 8⅞ 92	150	94⅞	95⅛	−0⅛	−1⅛	8.98
Oslo, City of 8⅞ 90	80	99⅛	99⅞	0	−0⅛	8.82
World Bank 8 90	700	91⅛	92⅛	−0⅛	−2⅛	9.29
World Bank 7⅞ 90	250	91⅞	92⅛	−0⅛	−1⅛	9.24
World Bank 10 86	150	103⅞	104⅛	0	−1⅛	9.02
World Bank 10 90	200	105⅞	106⅛	−0⅞	−2⅛	8.98
Average price changes... On day −0⅛ on week −1⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Rep. of 5⅞ 90	100	99⅞	99⅞	+0⅛	−0⅛	5.44
Bayer Int. Fin. 5⅞ 92	100	99⅞	99⅞	+0⅛	−0⅛	5.28
Bergen, City of 6 90	50	101	101⅛	−0⅛	−1⅛	5.84
Buhrm'n-Tetterode 7 90	40	†105	106	−0⅛	−0⅛	6.21
Copenhagen Tele. 5⅞ 90	60	†95½	96	−0⅛	+0⅛	6.34
Denmark 5⅞ 90	80	98	98⅛	+0⅛	+0⅛	6.01
EIB 4⅞ 94	100	84⅞	85⅛	−4⅛	0	6.02
Elec. de France 5⅞ 90	100	98⅞	99⅛	+0⅛	+0⅛	5.38
Eurofima 5⅞ 92	80	102⅛	102⅞	+0⅛	+0⅛	5.46
F. G. H. Hypo Bk. 6 90	50	†103	103½	+0⅛	0	5.56
Finland Rep. of 5⅞ 90	80	†94⅛	95⅛	−0⅛	+0⅛	6.32
GZB 4⅞ 89	100	89	89⅛	+1½	+0⅛	5.84
Int.-Amer. Dev. 7 90	80	104⅞	105	0	+0⅛	6.29
Japan Dev. Bk. 5⅞ 90	100	100⅞	101⅛	−0⅛	−0⅛	5.61
Jutland Tele. 5½ 90	50	†96⅛	97	0	+0⅛	5.96
Mt. Blanc Tunnel 5½ 90	60	99⅛	99½	−0⅛	−0⅛	5.58
Newag 5⅞ 90	80	100⅛	100⅞	0	−0⅛	5.69
Nippon Tel. & T. 4⅞ 89	100	93⅛	93½	+0⅛	+0⅛	5.20
Norges Komm. 4⅞ 91	100	88⅛	88⅞	−0⅛	+0⅛	5.81
OKB 4⅞ 91	100	88	88⅛	0	+1	5.88
OKB 6 90	100	101⅛	102	+0⅛	0	5.73
Oslo, City of 4⅞ 91	100	†87⅛	88	−0⅛	−0⅛	5.83
Oslo, City of 5⅞ 90	80	100⅛	100⅞	−0⅛	+0⅛	5.84
Philips Lamps 5⅞ 92	100	98⅛	98⅞	+0⅛	−0⅛	5.42
Sekisui Pre. Hms. 6 90	80	101⅛	101⅞	+0⅛	+0⅛	5.75
Shikoku El. Pwr. 4⅞ 89	100	†92½	93	+0⅛	+0⅛	5.82
Trade Dev. Fin. 6⅞ 90	50	†97⅞	97⅞	+0⅛	−0⅛	6.47
Voest-Alpine 5⅞ 90	80	98	98⅛	−0⅛	−0⅛	6.00
World Bank 4⅞ 89	150	89½	89⅞	+0½	+1⅛	5.91
Average price changes... On day 0 on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	90⅞	92⅛	0	−0⅛	8.99
Australia 6½ 88	20	87⅛	88⅛	−0⅛	1⅛	8.77
EIB 7⅞ 89	12	95⅞	96⅛	0	−0⅛	8.44
Finland 5.6 83	10	90⅛	91⅛	0	0	9.26
Finland 5 8 88	10	86⅞	87⅛	+0⅛	−0⅛	9.26
Finland, Rep. of 8½ 87	15	95⅛	97	+0⅛	+0⅛	9.11
Average price changes .. On day 0 on week 0						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅞ 86 C$	60	92⅞	93⅛	0	−1⅛	12.45
CIBC 13½ 85 C$	50	†98	98⅛	0	−1	13.94
CIBC 11½ 85 C$	60	†93	93⅛	+0⅛	−1	13.45
Federal Dev. 11½ 90 C$	60	†87⅛	88	−0⅛	−2⅛	13.87
Fst. Can. Inv. 10 84 C$	50	†89	89⅛	−0⅛	−1⅛	13.95
R. Bk. Canada 10 86 C$	40	92⅞	92⅞	+0⅛	−0⅛	11.89
Tordom Cpn. 13½ 85 C$	30	†98⅛	99⅛	+0⅛	−0½	13.82
M. Bk. Dnmk. 9 91 EUA	25	†94½	95½	+0⅛	+0⅛	9.76
SOFTE 8⅞ 89 EUA	40	†90	91	+0⅛	+0⅛	9.95
U. Bk. Nrwy 9½ 90 EUA	18	*98⅛	99⅛	0	−0⅛	9.67
Algemene Bk. 10⅞ 87 Fl	400	99⅛	100⅛	+0⅛	−0⅛	10.25
Bk. Mees & H 10 85 Fl	75	100	100½	+0⅛	−0⅛	9.91
F. G. Hypo 9⅞ 87 FL	60	96⅞	96⅛	−0⅛	−0⅛	10.48
Heineken NV 10 87 FL	75	96⅞	97½	0	−1⅛	10.65
Nat. Inv. Bk. 10 87 FL	75	97⅛	97⅞	−0⅛	−1⅛	10.49
Nat. Neder 9½ 87 FL	60	95⅛	96⅛	−0⅛	−1⅛	10.36
Neder Mdn Bk 10 85 FL	75	101⅛	101⅞	+0⅛	−0⅛	9.59
Aero Paris 13½ 87 FFr	150	96½	97⅛	−0⅛	+0⅛	13.83
CECA 14⅞ 86 FFr	150	102	103	0	+0⅛	13.51
Finland 11 84 FFr	80	91	92	−0⅛	−0⅛	13.93
Finland 11½ 89 FFr	70	86⅞	87⅛	−0⅛	−0⅛	14.20
Gaz de France 11 84 FFr	150	92⅞	93⅛	−0⅛	0	13.28
IBM France 11⅞ 84 FFr	120	93⅞	94⅛	−0⅛	+0⅛	13.75
Renault 9⅞ 85 FFr	100	85	86	0	−0⅛	14.15
Solvay et Cie 9⅞ 87 FFr	125	80	81	−0⅛	−1⅛	14.57
Utd. Mx. Sts. 14 85 FFr	150	98⅛	99⅛	−0⅛	−0⅛	14.32
Beneficial Fin. 14⅞ 90 £	20	99⅛	99⅞	0	−0⅛	14.33
BNP 13½ 91 £	15	97½	98	−0⅛	−0⅛	13.90
CECA 13⅞ 88 £	20	97½	98	−0⅛	−0⅛	13.98
Citicorp O/S 13½ 90 £	50	98	98½	−0⅛	−0⅛	13.81
Fin. for Ind. 14½ 88 £	20	100⅞	101⅛	−0⅛	−0⅛	14.17
Fin. for Ind. 13⅞ 87 £	20	98⅞	99⅛	−0⅛	−0⅞	14.00
Gen. Elec. Co 12½ 89 £	50	94⅞	95⅛	−0⅛	−1⅛	13.44
Peugeot SA 14 90 £	23	98½	99	−0⅛	−0⅛	14.21
Rothschild 14⅞ 90 £	12	99⅛	100	−0⅛	−0⅛	14.29
Swed. Ex. Cr. 15⅞ 85 £	20	102⅞	103⅞	−0⅛	−1⅛	14.14
Banobras 8⅞ 90 KD	7	†90⅞	91⅛	0	0	9.76
CCCE 8⅞ 91 KD	10	†86⅞	87⅛	0	+0⅛	10.22
Sonatrach 8½ 90 KD	12	†91⅛	91⅞	0	0	9.89
Akzo 9⅞ 87 LuxFr	500	*92⅛	93⅛	−0⅛	−0⅛	10.81
Euratom 9⅞ 88 LuxFr	500	†96	97	−0⅛	−0⅛	10.45
Eurofima 10½ 87 LuxFr	500	†98	99	+0⅛	+0⅛	10.81
EIB 9⅞ 88 LuxFr	600	†97½	98½	+0⅛	+0⅛	10.14
Volvo 9⅞ 87 LuxFr	500	†94	95	0	0	10.80

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk 5⅞ 87	0⅛	97⅛	97⅞	2/1*	10.44	10.71
Bank of Tokyo 5⅛ 89	‡0⅛	97⅞	97⅞	25/4	13.94	14.28
Barclays O/S Inv. 5 90	0⅛	97⅛	98	13/12	9⅞	9.85
Bergen Bk. A/S 6 89	‡0⅛	97⅞	98⅛	29/11	12⅛	12.48
Bilbao Int. N/V 5⅞ 90	0⅛	97½	98⅛	29/11	10.06	10.28
BNP 5½ 88	0⅛	98⅞	98⅞	29/1	5½	5.58
CNT 5⅞ 86	§0⅛	98⅛	98⅞	15/4	13⅛	13.47
Citicorp O/S F. 83	§‡0	99	99½	23/11	11.44	11.52
Citicorp O/S F. 84	‡0	99⅛	99⅞	30/11	15	15.08
C. Itoh 5⅞ 87	0⅛	98⅛	98⅞	18/3	12⅞	13.09
Co-operative Bk. 6 86	0⅛	98⅛	98⅞	15/11	11.44	11.63
Creditanstalt 5⅞ 91	§‡0⅛	97⅛	97⅞	14/12	12.06	12.37
Den Norske Credit 6 90	0⅛	98½	99	5/2	6	6.08
Genfinance 5⅞ 87	0⅛	98⅞	99⅛	30/4	5⅞	5.30
GZB 5½ 89	‡0⅛	98	98½	1/11	9.81	9.99
Jugobanka 8 89	0⅞	91⅛	93⅛	23/11	11⅞	12.60
Ind. Bank Japan 5⅞ 87	0⅛	97⅞	98⅛	15/4	13.31	13.57
Ind. Bank Japan 5⅞ 89	0⅛	97⅛	97⅞	9/4	13⅛	13.48
Lloyds Eurofin 8 90 £	0⅛	95⅛	96⅛	3/1	15⅛	16.41
LTCB Japan 5⅞ 86	0⅛	98⅛	98⅞	13/12	9⅞	9.76
Mfrs. Han. O/S 5⅞ 94	‡0⅛	97⅞	98⅛	30/11	12⅛	12.37
Midland Intl. Fin. 5 89	0⅛	98	98½	20/12	9½	9.67
Midland Intl. Fin. 5⅞ 92	0⅛	97½	98	5/12	10⅞	11.13
Nacional Fin. 6⅞ 86	0⅛	97⅛	97⅞	25/1	9.69	9.94
Nat. West 5⅞ 94	§0⅛	97⅛	97⅞	14/4	13⅛	13.61
Nat. West 5⅞ 92	§0⅛	97⅛	97⅞	23/4	13.69	14.02
Nippon Credit 5⅞ 87	‡0⅛	99	99½	6/11	10⅞	10.96
Royal Bk. Scot. 5⅞ 94	§‡0⅛	98⅛	98⅞	11/1	13⅛	13.47
Standard Chart 5⅞ 90	0⅛	97⅞	98⅛	6/3	12.06	12.32
Svenska Hndlsbk. 5 89	0⅛	97⅞	98⅛	15/1	10	10.22
Bq. Ext. d'Alg. 4½ 89 SF	0⅞	†89	90	18/12	6½	6.84
Average price changes... On day −0⅛ on week −0⅛						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 7½ 95	2/80	615.5	125⅛	126⅛	−2⅛	−5.19
Blocker Energy 8⅞ 95	1/81	21.87	112⅛	114	+2⅛	−2.74
Credit Suisse 4⅞ 93	10/79	1278	113	114⅛	−1⅛	−3.10
DDKK 11 90	4/80	324	104	105	0	15.95
Digicon Fin. 8⅞ 95	10/81	29.5	100⅞	101⅞	+1⅛	4.02
Dynolectron 9½ 95	8/80	12.22	129	130½	+3½	−0.90
Enserch Fin. 8½ 94	7/80	30.25	148½	149⅛	−0⅛	−3.24
Hanson O/S Fin 9½ 95	1/81	1.92	97⅞	98⅛	−0⅛	−2.47
Huffy Int. Fin. 8½ 95	12/80	23.25	91½	93	−1⅛	40.64
INA Overseas 8⅞ 2000	4/81	42	99⅞	100⅞	+0⅛	9.13
Inchcape Ltd. 8 95	2/81	4.55	106⅞	107⅞	−0½	−3.76
JACCS 7½ 95	11/80	585	103⅛	104⅛	−0⅛	6.68
Marion Int. Fin. 9 95	12/80	23.25	102⅞	103⅞	+1⅛	1.78
Matsushita Elec. 7½ 95	11/80	649	102	103	+0⅛	9.27
MEPC 8½ 96	2/81	2.47	101⅛	102½	−1⅛	3.51
Nissho Iwai Co. 8 96	10/80	398	100⅛	101⅛	−0⅛	0.95
Ricoh 6⅞ 95	8/80	604	106⅛	107⅛	−1⅛	−3.46
SBC 6⅞ 90	9/80	200	98⅞	99⅞	−0⅛	8.53
Taylor Woodrow 8⅞ 90	1/81	4.94	96⅞	97⅞	−0⅛	3.37
Tricorp. 8½ 95	12/80	31.25	101⅛	102⅛	+0⅛	17.37
Union Bk. Switz. 5 89	2/80	121.4	93⅛	95⅛	−1⅛	−5.68
Fujitsu 5 84 DM	7/79	475	103½	101½	−0⅞	5.20
Sharp Corp. 6½ 88 DM	9/80	596	129⅛	130⅛	−2⅛	−3.67
Uny Co. 6½ 85 DM	11/79	1071	98⅛	99⅛	+0⅛	13.57

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

HONG KONG SHARE DEALS

Jardine strengthens its defences

BY JOHN MAKINSON

SUBSTITUTE OFFICE blocks for hotels and the latest round of share manoeuvring in Hong Kong looks like a shrewd deal between skilled players of "Monopoly." For the moment at least, the "Hong" players, represented by Jardine Matheson and Hongkong Land, appear to have outflanked the Chinese interests of Mr. Li Ka-Shing and his suspected associate, Sir Yue-Kong Pao.

Rumours of a Chinese assault on Jardine have prompted spectacular gains on the Hong Kong stock market with the Hang Seng index rising 62 points to 1,498 on Friday alone, its biggest one-day rise since 1973. Yesterday it almost matched that performance by adding another 59 points.

Now, however, the bid speculation has been dealt a sharp blow by rapid share purchases which have further consolidated the links between Hongkong Land and Jardine. esterday's purchase by Jardine of 78.3m shares in Hongkong Land has probably pushed its stake above 40 per cent, while Hongkong Land's own holding in Jardine has been smartly doubled to 30 per cent. With about another 15 per cent of Jardine in the friendly hands of the Keswick family, both companies look invulnerable to an unwelcome offer.

Yesterday's cross-purchases were merely the latest stage in a complex process of consolidation between the two companies. Early in September Land issued 64.48m new shares to Jardine in return for a package of assets. A month later Jardine unveiled a HK$1bn (US$200m) rights issue, the largest ever seen in Hong Kong, principally to reduce debt it had taken on to finance purchases of Hong Kong Land stock.

Even by Hong Kong standards, the sums of money involved and the speed with which one operation has followed another have been exceptional. Yet the evident alarm of the two companies is understandable.

Sir Yue-Kong Pao and Mr. Li Ka-Shing have generated sufficient cash through their respective shipping and property empires to launch major raids on the established "Hong" companies.

With the backing of a liquid and friendly banking community, Sir Yue-Kong earlier this year trumped a rival bid from Hong Kong Land for control of Hong Kong and Kowloon Wharf Company. Effective control of another "Hong," Hutchison Whampoa, changed hands when Cheung Kong, Mr. Li Ka-Shing's quoted company, bought a 23 per cent stake.

The attraction of Jardine to Chinese interests lies less in its diverse international trading interests as in the property assets in which it has a stake through Hong Kong Land. That prize, however, seems to be one which has eluded their grasp.

THE MAJOR COMPANIES IN HONG KONG

(HK$)

	Share price rise this year %	Stock Market capitalisation	Pre-tax profit	Sales	Net tangible assets
Cheung Kong Holdings	252	9.2bn	308m	690m	1.3bn
China Light and Power	47	3.9bn	204m	1.7bn	1.6bn
Eastern Asia Navigation	24	1.5bn	206m	—	1.5bn
Hong Kong and Kowloon Wharf	217	14.1bn	219m	409m	1.8bn
Hongkong Land	181	21.2bn	367m	2.4bn	6.1bn
Hongkong and Shanghai aBnk	123	NA	NA	NA	NA
Hutchison Whampoa	113	7.3bn	519m	3.0bn	2.4bn
Jardine Matheson	197	8.3bn	608m	5.7bn	2.6bn
New World Development	106	6.1bn	125m	690m	1.0bn
Sun Hung Kai Properties	157	7.1bn	609m	1.1bn	1.2bn
Swire Pacific	3	3.2bn	620m	4.0bn	3.1bn
Wheelock Marden	100	2.1bn	398m	1.0bn	0.9bn
World International	380	3.1bn	74m	—	0.4bn

Source: DataSTREAM

Slowdown at Norsk Hydro

By Fay Gjester in Oslo

NORSK HYDRO, Norway's largest industrial concern, is being hit harder by the international recession than it anticipated only six months ago, Mr. Odd Narud, president, said at the annual general meeting.

"We were prepared for a downturn in the world economy, but the recession has turned out to be more pronounced than we expected," he said.

The new Rafnes petrochemical complex, in which Hydro is a partner, had been "particularly hard hit," and Hydro's share of its operations was currently showing much greater losses than expected.

In the light metals sector, there were "clear signs of stagnation." Even Hydro's offshore interests were showing results "rather below the planned level" partly because of last summer's labour troubles in the North Sea.

"The safest prediction that can be made today is that Hydro's profit after-tax for the current half year will be somewhat less than half of the profits for the year ended June, 1980."

The meeting approved a proposal that henceforth Hydro's financial year should run concurrently with the calendar year. To achieve the transition, Hydro's next report to shareholders will cover the six months ending December 31.

● Finnair, the national carrier of Finland, raised its net profit to FM 2.5m ($694,000) in the year ended March from FM 2.1m a year earlier. Net turnover was FM 1.24bn and the company paid a 6 per cent dividend.

However, the annual report said that the profit trend was not satisfactory and gross margins declined two percentage points to 7.9 per cent of total revenue. Delays in air transport tariff increases were the main reason for the decline.

The outlook for the current year is described as cloudy. But a new route will be opened to Los Angeles next spring and a service to Tokyo in 1982.

MAN to spend DM20m on U.S. plant for articulated buses

BY KEVIN DONE IN FRANKFURT

MAN (Maschinenfabrik Augsburg-Nürnberg), one of West Germany's leading truck and bus makers, is setting up its first manufacturing plant in the U.S. in North Carolina for the assembly of articulated buses.

It has decided to go it alone in the U.S. after backing out of a proposed merger last year with the financially troubled White Motor, the U.S. diesel truck manufacturer.

It is investing DM 20m ($10.5m) in the bus plant on a site in Rowan County, North Carolina but has bought sufficient land to expand into other areas, such as truck assembly, if the bus venture proves successful.

MAN has decided that its first step in the U.S. should be made "with great caution" with the intention of keeping the initial investment within clear limits.

The decision to set up a plant in the U.S. has been prompted by two major orders MAN has won for a total of 327 buses from Seattle and Chicago.

Seattle is adding 202 articulated buses worth $49m to its 150 MAN buses in service, and Chicago has ordered 125 buses worth $34m.

The plant, which is ensured about two years work through the orders already placed, will have a workforce of around 400.

Federal government funding for urban mass transit has become increasingly tied to "Buy America" provisions to the disadvantage of foreign-made equipment.

MAN has also decided to expand its manufacturing interests in Turkey by participating in the construction of a diesel engine plant to complement its existing truck and bus assembly plant. The new plant is expected to cost about DM 50m.

Negotiations are still continuing, however, over the size of the plant on the share the group should take in the project. It has a 33 per cent interest in the existing assembly plant.

Apart from Turkey and the U.S., MAN also has assembly operations in South Africa, Australia and the Philippines.

MAN has shared in the strong recovery of the commercial vehicle industry in Germany in the last 18 months and is planning to boost output of heavy vehicles to around 21,000 in the financial year ending June, 1981 from about 19,000 vehicles in fiscal 1980. Bus production is likely to rise from 2,400 units to 3,000 in the current year.

MAN's turnover from its commercial vehicles operations is expected to rise to about DM 3.7bn in fiscal 1981 compared with DM 3.17bn in fiscal 1980 and DM 2.9bn in fiscal 1979.

By contrast with the car sector, commercial vehicle production in West Germany has grown by about 13 per cent in the first nine months to 264,300 units. In the same period registrations of new trucks in the Federal Republic has risen by about 2.4 per cent, compared with a drop of 9 per cent in new car registrations. Commercial vehicle exports have jumped by just under 22 per cent with an important revival of demand from the oil-exporting countries in the Middle East and from Nigeria.

Ferruzzi regroups food interests

BY RUPERT CORNWELL IN ROME

AGRICOLA FINANZIARIA is to become a major food sector holding company with Europe-wide interests, especially in sugar, as part of a reorganisation within the Ferruzzi group, which owns 63 per cent of its equity.

The new structure was outlined yesterday by Sig. Raoul Gardini, Agricola's president and son-in-law of the late Sig. Serafino Ferruzzi. Before his death in a plane crash earlier this year, Sig. Ferruzzi had built one of Italy's most powerful yet least-known industrial and financial empires, ranging from sugar, vegetable oils and cereals, to cement and shipping, and headquartered in the Adriatic port of Ravenna.

Agricola already effectively controls Eridania, Italy's largest sugar concern. It will take over the Ferruzzi group's 50 per cent stake in Finag, which indirectly holds 23 per cent of the capital of France's Beghin-Say group, with the explicit aim of laying the groundwork for a multinational sugar and food-stuffs concern.

Beghin-Say, which with annual sales of more than $1.1bn is Europe's largest sugar company, is already linked with Eridania by their ownership of Interzuccheri, a smaller Italian sugar concern.

The rearrangement of the sugar sector is understood to be part of a planned broader reorganisation of the Ferruzzi empire into a central holding compay controlling financial and operating subsidiaries in the various sectors.

It has been estimated that total turnover of the group is now running at more than L3,000bn ($3.3bn) annually if all 80 of its companies are taken into account. But Sig. Gardini declared himself unable to provide a precise figure, adding that the group "had no time" to get around to a consolidated balance sheet.

● Finmare, the state-controlled holding group which runs Italy's major shiping lines, posted a deficit of L37.3bn for the fiscal year ended June 30 compared with a deficit of L35.3bn the previous year.

The Finmare Board noted, however, that a special allottment for covering losses of a subsidiary, ICI, accounted for L20bn of the total deficit.

Finmare also said that a reorganisation of its shipping lines will improve results.

Finmare's debts at year-end amounted to L1,250bn, 40 per cent short-term and 60 per cent medium-term.

Vallourec plans French venture with Hughes Tool

BY TERRY DODSWORTH IN PARIS

A JOINT Franco-American company based in France is being set up by Vallourec, the French steel tubes group, and Hughes Tool, the U.S. specialists in drill parts.

The new FFr 50m ($11.6m) company is aimed at bringing together the companies' technology in the oil and gas equipment field. Vallourec will have 51 per cent of the joint equity and Hughes 49 per cent.

Last year, Hughes Tool bought a factory from Creusot Loire, the French engineering group, to create its own production of tooling joints on drilling pipe.

Under the terms of the new deal, Vallourec is to contribute a welding facility from its plant at Aulnoye in the north of France. These will be brought together in the joint concern, to be called Hughes Drill Pipe Assembly, which will specialise in welding techniques for the tooling joints.

Both parent groups are to give their technical and marketing backing to the new business, which is expected to complete its first new welding line in the first quarter of next year. About 100 new jobs will be created by the agreement.

● Net parent company profits at Au Printemps, the French department store group, dropped sharply to FFr 6m ($1.4m) in the first half of this year from FFr 10.39m in 1979.

This decline in the company's performance comes when most of the retail sector in France is suffering from a big downturn in consumer demand. The results were struck after capital gains of FFr 14.4m at the company's Prisunic subsidiary last summer, along with net profits of FFr 2.2m on the sale of assets.

By comparison, last year's earnings figure was reached after FFr 10m realised from net asset sales.

INTL. COMPANIES & FINANCE

Mitsubishi HI restores interim dividend

By Our Financial Staff

MITSUBISHI HEAVY Industries, the Japanese heavy machinery maker and shipbuilder, increased net profit by 47 per cent to Y5.93bn ($28m) *in the first half of its financial* year, from Y4.03bn in the same period of 1979-80. An interim *dividend of Y2 a share has been* declared whereas last year the interim was passed.

Sales for the six months to September 30 were down *17.6 per cent to Y560.44bn* ($2.7bn), from Y680.26bn

The company expects its taxed profit for the year ending March 31 to be unchanged on last year's Y11.70bn, but estimates that sales will be slightly up on the Y1,350bn of 1979-80. Mitsubishi Heavy said that it hoped to maintain the year's Y4 dividend. The company's business was picking up as the loss-making shipbuilding division improved, it added.

A *drop in deliveries of large* chemical plants and a fall in motor exports had cut overall *first half sales.*

Orders received in the first half rose by 15.9 per cent to Y939.30bn, on the back of active shipbuilding orders, including those for liquefied natural gas carriers.

Advance by Ajinomoto

By Our Financial Staff

Ajinomoto Company, the world's largest manufacturer of monosodium glutamate, raised its after-tax profit for the first half of the financial year by 18.3 per cent to Y4.84bn ($23m), from Y4.09bn in the same period last year.

Sales for the half, to September 30, were 7.4 per cent higher, at Y174.44bn ($830m), against Y162.47bn. The interim dividend is unchanged, at Y5 a share.

Slowdown in growth for Australian Guarantee

BY JAMES FORTH IN SYDNEY

AUSTRALIAN Guarantee Corporation (AGC), the country's biggest finance company, experienced a slowdown in growth in the year ended September but still managed to register its 20th successive profit increase.

Earnings rose only 5.7 per cent from A$ 53.42m to A$ 56.45m (U.S.$ 66m), reflecting higher interest rates on borrowing and losses from *motor vehicle business.* The result was achieved on a 14 per cent increase in net receivables, *from A$ 2.3bn to A$ 2.7bn.*

The company expects that finance receivables in 1980-81 will grow at a slightly slower rate than in the past year and that there will be a further narrowing of profit margins: but they still expect "some *increase*" *in group profit.* Despite the slowdown the dividend has been raised from 8.125 cents to *8.75 cents a share.*

Finance receivables, the directors said, increased in line with the total market. *Leasing* growth had again been strong, and there had been a resurgence in property lending. Motor vehicle financing in both dealer and consumer areas had fallen slightly, reflecting the depressed state of the motor industry. Loans providing regular monthly repayments now represented 70 per cent of net receivables, *ensuring a healthy cash flow.*

Strong competition limited the group's ability to pass on to its customers the increased interest cost on borrowed funds. Interest payments rose from A$197.6m to A$229.6m. Bad debt write-offs and doubtful debt provisions increased from A$18.2m to A$26.4m, which was mainly attributable to losses on *advances to motor dealers.* Loans secured by real estate where the interest recovery is *doubtful were reduced in the* year by A$16.1m to A$5.8m. At this level they represent a *relatively insignificant 0.2 per* cent of net receivables.

Premium income of the in*surance group was reduced by* intense competition, but this was offset by higher investment, income resulting in an almost unchanged after-tax profit of A$8.3m.

AGC is 76.6 per cent owned by the country's largest private trading bank, the Bank of New South Wales. Its subdued growth indicates that the Wales *will need to look to its banking* activities to record earnings growth.

Bank of New South Wales (Papua New Guinea) lifted profits for the year to September by some 40 per cent to 1.43m Kina ($2.2m) from 1.02m Kina after tax of 958,000 Kina

Increased income came from a *higher level of advances* and a substantial rise in foreign exchange business, while close *control was maintained over* operating costs.

A dividend of 13 per cent has *been declared absorbing 578.500* Kina in which Papua New Guinea shareholders will parti*cipate for the first time.*

Record profits at Romatex

BY OUR JOHANNESBURG CORRESPONDENT

ROMATEX, South Africa's largest textiles manufacturer *which is a 55 per cent owned* subsidiary of C. G. Smith Sugar and thus an indirect subsidiary of *Barlow Rand,* has reported a pre-tax profit of R50.9m ($37.6m) after Lifo stock adjustments for the 18 months to September 30. This compares with R20.16m for the year to March 31, 1979. Turnover for the 18 months was R431.4m, compared with R217.8m in the 12 months to March 1979. The company has changed its financial year-end to September 30 to coincide with that of its ultimate parent, Barlow Rand.

A sustained improvement in turnover resulted in high plant utilisation and a record trading profit of R20.9m during the final six months of the 18-month *trading period. In addition,* management says the company is seeing the benefits of the investments in acquisitions and increased capacity made last year and early this year.

* * *

PLASCON-EVANS (Plevans), South Africa's largest paint manufacturer and a subsidiary of Barlow Rand, has reported a slower rate of growth for the second half of the year to September 30 than in the first year. The year as a whole brought consolidated pre-tax profit 30.8 per cent ahead at R22.26m ($29.7m), against R17.02m in 1978-79, and turnover 32.3 per cent higher, at R175.6m ($234m), compared with R132.7m.

The first-half, on the other hand, showed a 59.4 per cent pre-tax profit rise and 35.3 per cent turnover advance.

The company makes no com*ment on the second half slow*down, but at the interim stage the management warned that *although earnings for* the year were expected to show a satisfactory increase over 1979, rising raw materials costs were expected to continue to erode profit margins.

Earnings per share rose to 46.8 cents, from 35.1 cents in 1979, and the total dividend has been increased to 20 cents from 15 cents.

Buoyant earnings at Argus Printing

By Jim Jones in Johannesburg

ARGUS PRINTING AND PUBLISHING, South Africa's largest newspaper group, which also has interests in retailing and stationery, has reported buoyant *earnings for the six months to* September 30. The first-half pre-tax profit was 45 per cent *ahead, at R8.43m ($11.2m),* helped by higher advertising and circulation revenues and a better contribution from CNA, its 52 per cent-owned book, periodicals, and audio equipment retailing subsidiary.

The board reports that circulation revenue *was 27 per* cent higher, despite an expected drop in sales following news*paper cover-price increases. For* the remainder of the year, the management believes that with *a continuation of South Africa's* buoyant commercial activity into 1981, Argus should report a further earnings advance

At end-September, the company had capital commitments of R55.5m of which R42.5m was earmarked for new presses and R7.5m for electronic editing equipment. The company negotiated unsuccessfully with the country's second largest publishing group, South African Associated Newspapers (SAAN), on the possibility of sharing printing facilities. Though these discussions have now fallen away, the Argus board still believes that such a development would be in the interests of both newspaper groups.

An increased interim dividend of 75 cents has been declared, from first-half earnings per share of 310 cents. Last year, the interim dividend was *55 cents and first-half earnings* 217 cents a share. For the year to March 1980 the total dividend *was 150 cents and earnings per* share 457 cents.

Hindustan Aluminium lifts sales

By P. C. Mahanti in Calcutta

HINDUSTAN ALUMINIUM (Hindal) Corporaiton, a major private sector aluminium producer belonging to the Birla group, increased sales during the year to December despite a power constraint on production.

Sales advanced to Rs822.8m ($107m) compared with Rs631.9m during the previous year. However, gross profit declined to Rs105.8m ($13.7m) from Rs112.5m and net profit fell from Rs34.6m to Rs30.5m because of *sharp cost increases*

The aluminium industry has suffered from a chronic power *shortage and the consequent* low level of capacity utilisation has forced the country to *import aluminium on an in*creasing scale.

CURRENCIES, MONEY and GOLD

£ & $ firm

Sterling and the U.S. dollar remained firm in currency markets yesterday, underpinned in both cases by high interest rates. Sterling's trade weighted index finished at 79.7, its highest level since January 1974, and compared with 79.2 on Friday. At noon it touched 79.8, after an opening level of 79.3. Against the dollar the pound opened at $2.4300, and eased initially to a low of $2.4260. But good demand during the rest of the morning pushed it to a best level of $2.4480-2.4495, although by noon it had come back to $2.4450. With the entry of New York into the market sterling slipped to $2.4425, but closed at $2.4430-2.4440, a rise of 70 points from Friday.

Sterling was also firm against European currencies, rising to DM4.6825 from DM4.6350 against the D-mark and FFr10.7625 from FFr10.6650 in terms of the French franc.

The dollar continued to improve as Euro-dollar artseerew prove as Euro-dollar rates were firmer throughout. Against the D-mark it rose to DM1.9150 from DM1.9025 and SwFr1.7160 from SwFr1.7125 in terms of the Swiss franc. The yen however was slightly firmer, with the U.S. unit closing at Y210.75 against Y211.25. On Bank of England figures the dollar's trade weighted index rose from 85.4 to 85.7.

The D-mark continued to show a weaker tendency, attracting support from the Bundesbank and the Bank of France.

D-MARK — Second weakest member of the European Monetary System an dlower against the dollar on interest rate differentials. The German currency has recently been at its lowest permitted level against the French franc within the EMS, and around a six-month low against the dollar and a four year low in terms of sterling—The dollar was firmer at yesterday's fixing in Frankfurt on higher Euro-dollar rates and further moves towards the release of the U.S. hostages in Iran. The dollar was fixed at DM1.9209 up from DM1.9092 on Friday, despite intervention by the Bondesbank at the fixing totaling $22m. The effect of today's U.S. Presidential election was somewhat muted by the likelihood of a close result, and the closure of U.S. markets today. Elsewhere the D-mark remained weak, with the French franc fixed at its highest permitted level at DM43.415 per FFr100, unchanged from Friday. Sterling was higher at DM4.7000 compared with DM4.6590, while the Swiss franc rose to DM1.1129 from DM1.112.

ITALIAN LIRA — Weakest member of the EMS, reflecting high inflation and balance of payments problems—the lira fell to its lowest level ever against sterling at yesterday's fixing in Milan, and touched a seven month low in terms of the U.S. dollar. This came despite an unexpected Treasury surplus of L2.56 trillion (million million) in September, but this still gave a January to September deficit of L20.76 trillion. Sterling rose to an all time high of L2,216.90 compared with L2,198.90 on Friday, while the dollar improved to L907.20 from L902.45. Elsewhere the lira was mixed, with the D-mark easing to L472 from L472.85, and the Swiss franc firmer at L526 against L524.26.

BELGIAN FRANC — Coming under increasing pressure, and only slightly firmer than the D-mark near the bottom of the EMS—The Belgian franc showed a slight improvement at yesterday's fixing in Brussels, rising off its floor level against the French franc and Dutch guilder. The French franc eased to BFr 6.95925 from BFr 6.96 on Friday, its highest permitted level, while the Guilder fell to BFr 14.8315 from BFr 14.8325, again its highest permitted level.

THE POUND SPOT AND FORWARD

Nov. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.4260-2.4495	2.4430-2.4440	0.38-0.28c pm	1.62	0.82-0.82 pm	1.42
Canada	2.8560-2.8830	2.8795-2.8805	1.30-1.20c pm	5.21	3.25-3.15 pm	4.44
Nethlnd.	5.04-5.09	5.05½-5.06½	3¼-2¼c pm	7.71	10¼-9¼ pm	7.61
Belgium	74.60-75.50	74.90-75.00	36-26c pm	4.96	93-83 pm	4.70
Denmark	14.33-14.50	14.40½-14.41½	6-4½ore pm	4.37	8½-6½ pm	2.10
Ireland	1.2420-1.2525	1.2455-1.2465	0.34-0.30p pm	3.00	0.75-0.70 pm	2.33
W. Ger.	4.65½-4.71½	4.67¾-4.68¾	3¼-2¾pf pm	8.01	9½-8½ pm	7.69
Portugal	125.50-127.00	126.15-126.35	20c pm-5c dis	0.67	50 pm-50 dis	—
Spain	183.10-184.70	184.05-184.15	106-155c dis	−8.47	365-440 dis	−8.75
Italy	2,202-2,221	2,204-2,205	1½-3½lire dis	−1.36	14½-17½ dis	−2.90
Norway	12.12-12.25	12.17¾-12.18¾	6¾-5¼ore pm	5.79	15¾-14¼ pm	4.84
France	10.73-10.85	10.75¾-10.76¾	6-5c pm	6.13	16-15 pm	5.76
Sweden	10.38-10.50	10.45-10.46	3½-3ore pm	3.73	6¾-6¼ pm	2.49
Japan	510-520	514¾-515¾	3.35-2.95y pm	7.34	9.40-9.00 pm	7.14
Austria	32.95-33.35	33.17-33.22	16-14gro pm	5.42	42-38 pm	4.82
Switz.	4.18-4.24	4.19-4.20	4½-3½c pm	11.44	12¾-11½ pm	11.44

Belgian rate is for convertible francs. Financial franc 75.25-75.35. Six-month forward dollar 1.12-1.02c pm. 12-month 1.35-1.25c pm.

THE DOLLAR SPOT AND FORWARD

Nov. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.4260-2.4495	2.4430-2.4440	0.38-0.28c pm	1.62	0.92-0.82 pm	1.42
Ireland†	1.9520-1.9630	1.9600-1.9630	0.40-0.50c dis	−2.76	0.85-0.95dis	−1.84
Canada	1.1768-1.1803	1.1791-1.1795	0.33-0.28c pm	3.11	0.82-0.77 pm	2.70
Nethlnd.	2.0720-2.0775	2.0720-2.0730	1.22-1.12c pm	6.77	3.35-3.25 pm	6.37
Belgium	30.67-30.85	30.67-30.69	11-9c pm	3.90	28-25 pm	3.45
Denmark	5.9060-5.9230	5.9100-5.9115	1½-1ore pm	2.54	1-½ pm	0.51
W. Ger.	1.9125-1.9250	1.9145-1.9155	1.07-1.02pf pm	6.55	3.10-3.05pm	6.42
Portugal	51.68-52.00	51.75-51.85	par-10c dis	−1.16	par-40 dis	−1.54
Spain	75.38-75.50	75.38-75.43	55-75c dis	−10.34	180-210 dis	−10.34
Italy	904.00-907.40	904.00-905.00	2-3lire dis	−3.32	10-11 dis	−4.64
Norway	4.9505-4.9890	4.9905-4.9915	2.20-1.70ore pm	4.69	4.80-4.30 pm	3.65
France	4.4040-4.4275	4.4040-4.4060	1.87-1.77c pm	4.94	5.00-4.85 pm	4.46
Sweden	4.2780-4.2830	4.2810-4.2820	0.45-0.30ore pm	1.05	08.0-0.55 pm	0.68
Japan	210.70-211.90	210.70-210.80	1.00-0.85y pm	5.27	3.00-2.85 pm	5.55
Austria	13.58¾-13.60	13.58¾-13.59¾	4.40-3.90gro pm	3.66	12.75-11.25pm	3.53
Switz.	1.7140-1.7315	1.7155-1.7165	1.59-1.54c pm	10.87	4.38-4.33 pm	10.15

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Nov. 3	Bank of England Index	Morgan Guaranty Changes%
Sterling	79.7	−25.7
U.S. dollar	85.7	−6.2
Canadian dollar	80.1	−18.0
Austrian schilling	149.4	+21.8
Belgian franc	112.5	+11.4
Danish kroner	102.6	−7.7
Deutsche mark	148.3	+40.3
Swiss franc	193.2	+79.7
Guilder	124.2	+18.6
French franc	98.2	−7.2
Lira	51.2	−52.
Yen	137.4	+35.0

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

CURRENCY RATES

Oct. 31	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.529074	0.552376
U.S. $	11	1.29004	1.34724
Canadian $	12.16	1.51657	1.58759
Austria Sch.	6¾	17.4297	18.2080
Belgium F.	12	39.4784	41.1987
Danish K.	11	7.57124	7.90698
D'mark	7½	2.46294	2.56987
Guilder	8	2.66071	2.77775
French Fr.	9½	Unavail.	5.92181
Lira	16½	1164.26	1215.21
Yen	8.25	272.843	285.239
Norwgn. Kr.	9	6.40698	6.69311
Spanish Pts.	8	97.0162	101.414
Swedish Kr	10	5.49622	5.73818
Swiss Fr.	3	2.21848	2.31282

OTHER CURRENCIES

Nov. 3	£	$		£ Note Rates
Argentina Peso	4759-4779	1947-1954	Austria	33.10-33.40
Australia Dollar	2.0830-2.0870	0.8530-0.8535	Belgium	75.00-75.70
Brazil Cruzeiro	147.60-148.60	60.49-60.69	Denmark	14.42-14.54
Finland Markka	9.17-9.18	3.7640-3.7650	France	10.70-10.78
Greek Drachma	105.541-108.007	43.50-43.65	Germany	4.65-4.69
Hong Kong Dollar	12.308-12.328	5.0390-5.0420	Italy	2225-2275
Iran Rial	n.a.	n.a.	Japan	514-519
Kuwait Dinar(KD)	0.651-0.657	0.2696-0.2697	Netherlands	5.03-5.07
Luxembourg Frc.	74.90-75.00	30.67-30.69	Norway	12.18-12.30
Malaysia Dollar	5.2480-5.2580	2.1490-2.1510	Portugal	122½-140
New Zealand Dlr.	2.4950-2.5010	1.0220-1.0230	Spain	177½-188¾
Saudi Arab. Riyal	8.03-8.09	3.3220-3.3235	Sweden	10.45-10.57
Singapore Dollar	5.0910-5.1010	2.0840-2.0860	Switzerland	4.19-4.23
Sth. African Rand	1.8340-1.8350	0.7505-0.7510	United States	2.43½-2.45½
U.A.E. Dirham	8.92-8.98	3.6870-3.6895	Yugoslavia	80.83

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.2451	+3.66	+1.00	±1.53
Danish Krone	7.72336	7.92770	+2.65	−0.01	±1.64
German D-Mark	2.48208	2.57352	+3.68	+1.02	±1.125
French Franc	5.84700	5.92934	+1.41	−1.25	±1.3657
Dutch Guilder	2.74362	2.78214	+1.40	−1.26	±1.512
Irish Punt	0.668201	0.685906	+2.65	−0.01	±1.668
Italian Lira	1157.79	1215.18	+4.96	+2.50	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov. 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.444	4.683	515.3	10.76	4.195	5.060	2205.	2.880	74.95
U.S. Dollar	0.409	1.	1.916	210.9	4.405	1.717	2.071	902.2	1.179	30.67
Deutschemark	0.214	0.522	1.	110.0	2.298	0.896	1.081	470.8	0.615	16.01
Japanese Yen 1,000	1.941	4.742	9.088	1000.	20.89	8.142	9.820	4279.	5.590	145.5
French Franc 10	0.929	2.270	4.351	478.7	10	3.898	4.702	2049.	2.675	69.64
Swiss Franc	0.238	0.582	1.116	122.8	2.565	1.	1.206	525.5	0.687	17.87
Dutch Guilder	0.198	0.483	0.925	101.8	2.127	0.829	1.	435.7	0.569	14.81
Italian Lira 1,000	0.454	1.108	2.124	233.7	4.882	1.903	2.295	1000.	1.306	34.00
Canadian Dollar	0.347	0.848	1.626	178.9	3.737	1.457	1.757	765.5	1.	26.02
Belgian Franc 100	1.334	3.260	6.247	687.5	14.36	5.597	6.751	2941.	3.845	100.

FT LONDON INTERBANK FIXING (11.00 a.m. NOVEMBER 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 7/16	offer 15 9/16	bid 15 3/8	offer 15 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Nov. 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	—	13¾-14	9½-10½	—	3¾-4¼	—	—	—	7⅝-7¾	9¾-10¼
7 days' notice	16⅝-16¾	13⅞-14⅛	10½-12½	8⅞-9	4½-4⅝	9 1/16-9 3/16	10¾-11	16¾-18¾	13⅞-14	9⅞-10⅛
Month	16 11/16-17 1/16	14½-14¾	12¼-12⅝	8⅞-9	5⅜-5½	9 1/16-9 3/16	10 13/16-11 1/16	18½-19½	15 1/16-15 3/16	9¾-10
Three months	16 11/16-16⅞	15 1/16-15 3/16	12 11/16-13 1/16	9⅛-9¼	5 7/16-5 9/16	9 1/16-9 3/16	11 1/16-11 5/16	19½-20½	15 1/16-15 3/16	9⅝-9⅞
Six months	16⅛-16¼	15 1/16-15 3/16	13⅛-13½	9 1/16-9 3/16	5 7/16-5 9/16	8 13/16-9 1/16	12-12¼	20-21	15⅛-15¼	9⅛-9⅜
One Year	15-15⅛	14⅝-14⅞	13⅛-13½	9⅜-9½		8⅞-9	12 3/16-12 7/16	20-21	14½-14⅝	9-9¼

Long-term Eurodollar two years 13¾-14 per cent; three years 13⅝-13⅞ per cent; four years 13⅝-13⅞ per cent; five years 13⅝-13⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

† The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.70-14.80 per cent; three-months 15.25-15.35 per cent; six-months 15.20-15.30 per cent; one year 14.20-14.40 per cent.

INTERNATIONAL MONEY MARKETS

Europe rates mixed

European short term interest rates showed mixed changes yesterday, with Paris call money unchanged at a 13-month low of 10¾ per cent. The easier trend in French rates of late reflects the strength of the French franc in the European Monetary System and the weakness of the D-mark. The Bank of France gave further support to the German currency yesterday, as the D-mark remained at its floor and the franc at its ceiling within the EMS.

It is expected that the French authorities will reduce their market intervention rate from 11¼ per cent in the near future, while market conditions in Paris remain fairly liquid despite last week's payment of subscriptions to the FFr 10¼bn state loan. The central bank is to auction FFr1.3bn of 12-month Treasury bills tomorrow.

In Frankfurt call money was quoted at 9.10 per cent, compared with 9.00-9.10 per cent on Friday. One-month funds rose to 9.10-9.20 per cent from 9.00-9.10 per cent, while three-month eased to 9.10-9.20 from 9.15-9.30 per cent. Six-month money was unchanged at 9.00-9.10 per cent, and 12-month fell to 8.80-8.90 per cent from 8.90-9.10 per cent.

In Amsterdam interest rates showed no marked trend, as the Dutch guilder was again the firmest member of the EMS, slightly above the French franc.

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 16 per cent (from July 3, 1980)

Day-to-day credit was in slightly short supply in the London money market yesterday, despite early expectations of a moderate surplus. The authorities gave assistance by lending a small amount to one or two discount houses, overnight at Bank of England Minimum Lending Rate.

Banks brought forward small surplus balances, and Government disbursements were slightly in excess of revenue payments to the Exchequer. On the other hand there was a small net take-up of Treasury bills to finance.

Discount houses picked up some more reserve asset money at 14 per cent in the morning, but were forced to pay around 15-15¼ per cent at the close.

In the interbank market overnight loans opened at 16⅝-16⅞ per cent, and rose to 16¾-17 per cent, before falling to 7-10 per cent in late trading.

GOLD

Firmer trend

Gold rose $13 an ounce in the London bullion market yesterday to close at $641-644. Trading was fairly quiet during the morning, and after opening at $632-635, the metal was fixed at $634.30. However during the afternoon it was fixed at $640.50, with a steady demand out of U.S. centres pushing it up further to its closing level.

In Paris the 12½ kilo bar was fixed at FFr 91,250 per kilo ($640.63 per ounce) in the afternoon compared with FFr 91,250 ($641.39) in the morning and FFr 91,800 ($649.66) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 39,200 per kilo ($634.94 per ounce) against DM 39,135 ($636.98) previously, and closed at $640-642 per ounce against $628-630 on Friday.

In Zurich gold finished at $639-642 compared with $628-631 previously.

	Nov. 3		Oct. 31	
Gold Bullion (fine ounce)				
Close	$641-644	(£262¼-263⅛)	$628-631	(£257¾-259)
Opening	$632-635	(£260-261¼)	$640-643	(£262¼-263½)
Morning fixing	$634.30	(£260.279)	$636	(£260.848)
Afternoon fixing	$640.50	(£262.017)	$629	(£258.157)
Gold Coins				
Krugerrand	$660-662	(£270-271½)	$651-653	(£267-269)
1/2 Krugerrand	$339-343	(£138½-141½)	$334-338	(£136-139)
1/4 Krugerrand	$171-175	(£70-73)	$169-171	(£69-73)
1/10 Krugerrand	$70-73	(£28½-30½)	$68-71	(£27½-29½)
Mapleleaf	$655-659	(£268-271)	$645-649	(£263½-266½)
New Sovereigns	$162½-163½	(£66½-67¼)	$160-161	(£65½-66½)
King Sovs.	$181-183	(£74-75)	$181-183	(£74-76)
Victoria Sovs.	$181-183	(£74-75)	$181-183	(£74-76)
French 20s	$161¼-163		$163-165	
50 pesos Mexico	$795-799		$785-787	
100 Cor. Austria	$622-626		$615-619	
$20 Eagles	$742-746		$738-742	

MONEY RATES

NEW YORK

Prime Rate	14½
Fed. Fund	13¾-14½
Treasury Bills (13-week)	12.37
Treasury Bills (26-week)	12.38

GERMANY

Discount Rate	7.50
Overnight Rate	9.10
One month	9.15
Three months	9.15
Six months	9.05

FRANCE

Discount Rate	9.5
Overnight Rate	10.75
One month	11.0625
Three months	11.3125
Six months	11.8125

JAPAN

Discount Rate	8.25
Call (Unconditional)	10.875
Bills Discount (three-month)	10.28125

LONDON MONEY RATES

Nov. 3 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-17	16⅝-16¾	—	—	16¼-16⅞	14-16	—	—	—
2 days notice	—	—	17	—	—	—	—	—	—	—
7 days or 7 days notice	—	16½-17	17-17⅛	—	17	17¼	15-15¼	—	—	—
One month	17¼-16⅞	17-17¼	17	17½-17¾	17¼	17⅛	16¼	14 13/32-14 7/16	17 1/16-17⅛	17½
Two months	17 1/16-16 11/16	16⅞-17⅛	—	17-17½	17¼	17½	14¾-14⅞	14 13/32-14 7/16	16⅝	17
Three months	16⅞-16⅝	16 11/16-17	16¾-16⅞	16½-17	17¼	16 7/16	14½	14⅝-14 11/16	16 7/16	16 7/16
Six months	16⅛-15⅞	15 15/16-16¼	16-16¼	15¾-16¼	16½	16¾	—	—	14⅞-15	15⅝
Nine months	15¾-16 1/16	15-15⅛	—	15¼-15¾	15½	16⅛	—	—	—	—
One Year	14 11/16-14⅝	14⅝-15¼	14¾-15	14¾-15⅛	16¼	15⅝	—	—	—	—
Two years	—	—	14-14⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13¾ per cent; four years 13¾-13⅞ per cent; five years 13⅝-13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15 11/32-15⅜ per cent; four-month trade bills 16⅛ per cent.

Approximate selling rate for one-month Treasury bills 14 13/32 per cent; two-months 14 11/32 per cent; three-months 14 5/16 per cent. Approximate selling rates for one-month bank bills 16⅞-16 15/16 per cent; two-months 16¼-16½ per cent; three-months 16 5/16 per cent; one-month trade bills 17¼ per cent; two-months 16⅞ per cent and three-months 16 5/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from November 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent.

Treasury Bills: Average tender rates of discount 14.3541 per cent.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 3, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviation: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	105.0
Albania	Lek	10.10
Algeria	Dinar	9.3645
Andorra	French Franc	10.7625
	Spanish Peseta	184.10
Angola	Kwanza	70.3505
Antigua (S)	E. Caribbean $	6.60
Argentina	Ar. Peso Free Rate	4,764.0
Australia (S)	Australian $	2.0850
Austria	Schilling	33.195
Azores	Portug. Escudo	126.25
Bahamas (S)	Ba. Dollar	2.4435
Bahrain (S)	Dinar	0.917
Balearic Isles	Spa. Peseta	184.10
Bangladesh (S)	Taka	38.30
Barbados (S)	Barbados $††	4.8870
Belgium	B. Franc	(cm) 74.95 (fn) 75.30
Belize	B $	4.8870
Benin	C.F.A. Franc	538.125
Bermuda (S)	Bda $	2.4435
Bhutan	Indian Rupee	18.74
Bolivia	Bolivian Peso	61.10
Botswana (S)	Pula	1.8930
Brazil	Cruzeiro ‡‡	148.10
Brit. Virgin Isles (S)	U.S. $	2.4435
Brunei (S)	Brunei $	5.0965
Bulgaria	Lev	2.0692
Burma	Kyat	16.45
Burundi	Burundi Franc	217.12
Cameroon Republic	C.F.A. Franc	538.125
Canada	Canadian $	2.8800
Canary Islands	Spanish Peseta	184.10
Cape Verde Isle.	Cape V. Escudo	89.20
Cayman Islands (S)	Cay. Is. $	2.0350
Cent. Afr. Repub.	C.F.A. Franc	538.125
Chad	C.F.A. Franc	538.125
Chile	C. Peso	(bk) 95.35
China	Renminbi Yuan	3.6756
Colombia	C. Peso	(F) 130.66
Comoro Islands	C.F.A. Franc	538.125
Congo (Brazzaville)	C.F.A. Franc	538.125
Costa Rica	Colon	21.00
Cuba	Cuban Peso	1.6830
Cyprus (S)	Cyprus £	0.863
Czechoslovakia	Koruna	(com) 13.30 (nc) 23.15 (T) 22.58
Denmark	Danish Krone	14.41
Djibouti	Fr.	420 (sg)
Dominica (S)	E. Caribbean $	6.60
Dominican Repub.	Dominican Peso	2.4435
Ecuador	Sucre	(O) 61.43 (F) 67.72
Egypt	Egyptian £	(U) 1.70
Equatorial Guinea	Ekuele	194.10
Ethiopia	Ethiopian Birr	(P) 4.9750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.41
Fiji Islands	Fiji $	1.9330
Finland	Markka	9.175
France	French Franc	10.7625
French C'tyin Af.*	C.F.A. Franc	538.125
French Guiana	Local Franc	10.7625
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	538.125
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.6825
Germany (West)	Deutsche Mark	4.6825
Ghana (S)	Cedi	6.71
Gibraltar (S)	Gibraltar £	1.0
Greece	Drachma	106.774

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	14.41
Grenada (S)	E. Caribbean $	6.60
Guadaloupe	Local Franc	10.7625
Guam	U.S. $	2.4435
Guatemala	Quetzal	2.4435
Guinea Republic	Syli	46.55
Guinea Bissau	Peso	85.00
Guyana (S)	Guyanese $	6.2310
Haiti	Gourd	12.22
Honduras Repub.	Lempira	4.91
Hong Kong (S)	H.K. $	12.3180
Hungary	Forint	(com) 79.75 (T)(nc) 57.875
Iceland (S)	I. Krona	1,311.65
India (S)	Ind. Rupee	18.74
Indonesia	Rupiah	1,527.20
Iran	Rial	n/a
Iraq	Iraq Dinar	0.71795
Irish Republic (k)	Irish £	1.2460
Israel	Shekel	15.60
Italy	Lira	2,204.5
Ivory Coast	C.F.A. Franc	538.125
Jamaica (S)	Jamaica Dollar	4.3560
Japan	Yen	515.25
Jordan (S)	Jordan Dinar	0.708 (sg)
Kampuchea	Riel	2,932.2
Kenya (S)	Kenya Shilling	18.125
Kiribati	Australian $	2.0850
Korea (Nth)	Won	2.14 (i)
Korea (Sth)	Won	1,591.67
Kuwait	Kuwait Dinar	0.654
Laos	New Kip	24.435
Lebanon	Lebanese £	8.3465
Lesotho	Loti	1.8345
Liberia	Liberian $	2.4435
Libya	Libyan Dinar	0.7235
Liechtenstein	Swiss Franc	4.195
Luxembourg	Lux Franc	74.95
Macao	Pataca	12.9625
Madeira	Portug'se Escudo	126.25
Malagasy Republic	MG Franc	538.125
Malawi (S)	Kwacha	1.995
Malaysia (S)	Ringgit	5.2530
Maldive Islands (S)	Mal Rupee	9.6030
Mali Republic	Mali Franc	1,076.25
Malta (S)	Maltese £	0.846
Martinique	Local Franc	10.7625
Mauritania	Ouguiya	106.60
Mauritius (S)	M. Rupee	18.8615
Mexico	Mexican Peso	56.35
Miquelon	C.F.A. Franc	538.125
Monaco	French Franc	10.7625
Mongolia	Tugrik	(o) 7.14 (i)
Montserrat	E. Caribbean $	6.60
Morocco	Dirham	9.91 (sg)
Mozambique	Metica	71.50
Nauru	Australian Dollar	2.0850
Nepal	Nepalese Rupee	29.30
Netherlands	Guilder	5.06
Netherland Antilles	Antillian Guilder	4.3740
New Hebrides	See VANUATU	
New Zealand (S)	N. Z. Dollar	2.4985
Nicaragua	Cordoba	24.45
Niger Republic	C.F.A. Franc	538.125
Nigeria (S)	Naira	1.267479 (sg)
Norway	Norway Krone	12.1825
Oman Sultanate of (S)	Rial Omani	0.838
Pakistan	Pakistan Rupee	24.05
Panama	Balboa	2.4435
Papua N.Guinea (S)	Kina	1.5885
Paraguay	Guarani	308.07

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exc (A) 774.80
Philippines	Philippine Peso	18.05
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.4985
Poland	Zloty	(Cm) 72.66 (T) 72.66
Portugal	Portugu'se Escudo	126.25
Puerto Rico	U.S. $	2.4435
Qatar (S)	Qatar Ryal	8.83
Reunion Ile de la	French Franc	10.7625
Romania	Leu	(Cm) 10.69 (n/c) T28.79
Rwanda	Rwanda Franc	222.01
St. Christopher (S)	E. Caribbean $	6.60
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.60
St. Pierre	Local Franc	10.7625
St. Vincent (S)	E. Caribbean $	6.60
Salvador El	Colon	6.12
Samoa American	U.S. $	2.4435
San Marino	Italian Lira	2,204.5
Sao Tome&Principe	Dobra	85.55
Saudi Arabia	Ryal	8.06
Senegal	C.F.A. Franc	538.125
Seychelles	S. Rupee	15.55 (sg)
Sierra Leone (S)	Leone	2.5740
Singapore (S)	Singapore $	5.0960
Solomon Islands (S)	Solomon Is. $	1.9515
Somali Republic	Somali Shilling	(A) 16.70
South Africa (S)	Rand	1.8345
South West African Territories (S)	S. A. Rand	1.8345
Spain	Peseta	184.10
Spanish ports in North Africa	Peseta	184.10
Sri Lanka (S)	S. L. Rupee	41.82
Sudan Republic	Sudan £ (1)	1.22
Sudan Republic	Sudan £ (2)	1.95
Surinam	S. Guilder	4.3740
Swaziland (S)	Lilangeni	1.8345
Sweden	S. Krona	10.455
Switzerland	Swiss Franc	4.195
Syria	Syria £	(A) 9.50
Taiwan	New Taiwan $	87.95
Tanzania (S)	Tan. Shilling	19.75
Thailand	Baht	49.90
Togo Republic	C.F.A. Franc	538.125
Tonga Islands (S)	Pa'anga	2.0850
Trinidad (S)	Trinidad & Tob. $	5.8645
Tunisia	Tunisian Dinar	0.993 (SG)
Turkey	Turkish Lira	206.50
Turks & Caicos	U.S. $	2.4435
Tuvalu	Australian $	2.0850
Uganda (S)	Uganda Shilling	18.125
United States	U.S. Dollar	2.4435
Uruguay	Uruguay Peso	(cm) 25.55 (fn) 25.55
Utd. Arab Emirates	U.A.E. Dirham	8.95
U.S.S.R.	Rouble	1.6075
Upper Volta	C.F.A. Franc	538.125
Vanuatu	Franc	160 (SG)
	Aust. Dollar	2.0850
Vatican	Italian Lire	2,204.5
Venezuela	Bolivar	10.49
Vietnam	Dong	(O) 5.3270 (T) 5.2532 (i)
Virgin Islands U.S.	U.S. Dollar	2.4435
Western Samoa	S. Samoan Tala	2.1490
Yemen (Nth)	Ryal	10.99 (SG)
Yemen (Sth)	S. Yemen Dinar	(A) 0.8345
Yugoslavia	New Y Dinar	69.2750
Zaire Republic	Zaire	7.200359
Zambia	Kwacha	1.9350
Zimbabwe	Zimbabwe $	1.5315

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 102.60. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (i) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports.

This Advertisement, which is issued in compliance with the Regulations of the Council of The Stock Exchange, London for the purpose of giving information to the public with regard to The Phoenix Mining and Finance, Limited ("the Company"), is not an invitation to any person to subscribe or purchase any shares or loan capital. The Company, together with its subsidiaries, is hereinafter referred to as "the Group". The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Ordinary Shares of 25p each of the Company now in issue and to be issued to be admitted to the Official List.

On 17th October, 1980 the Company entered into conditional agreements ("the Burrows Agreements") with Burrows (Builders) Limited ("Burrows") to acquire with effect from 29th September, 1980 the freeholds of industrial estates at Belfield Street, Ilkeston, Derbyshire and Cromford Road, Langley Mill, *Nottinghamshire together with a further 6.5 acres of freehold land* zoned for development adjacent to the completed development at Belfield Street ("the industrial properties"). The Burrows Agreements *are now conditional only on the admission of the Ordinary* Shares of 25p each of the Company, now in issue and to be issued, to the Official List and the placing referred to below is subject to such condition being fulfilled, and the Burrows Agreements being completed, not later than 7th November, 1980. This document *has been prepared on the* basis that the Burrows Agreements and the placing have become unconditional and have been completed.

The Phoenix Mining and Finance, Limited

(Incorporated under the Companies Acts 1908 to 1917. Registered in England No. 151926)

Placing by

Montagu, Loebl, Stanley & Co.

of 2,900,000 Ordinary Shares of 25p each at 25p per share

SHARE CAPITAL OF THE COMPANY

Authorised		*Issued and to be issued fully paid*
£1,650,000	in Ordinary Shares of 25p each	£1,650,000

BORROWINGS

At the close of business on 13th October, 1980 the Group had secured bank borrowings of £75,407. Save as aforesaid and apart from inter group indebtedness, neither the Company nor any of its subsidiaries had outstanding at 13th October, 1980 any loan capital (or loan capital created but unissued) or any borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

The Ordinary Shares placed rank *pari passu in all respects with the existing issued* Ordinary share capital of the Company

Directors

Ian Clinton Elliot *(Chairman)*
William Francis O'Hara, F.C.A. *(Managing)*
Ronald Brooks — Alastair Mearns Milne
Howard Francis Cooper — John Albert Wilkinson

193/195 High Street, Acton, London W3 9DD

Secretary and Registered Office
William Francis O'Hara, F.C.A.
193/195 High Street, Acton, London W3 9DD

Bankers
Midland Bank Limited
199 Acton High Street, Acton, London W3 9DE

Stockbrokers
Montagu, Loebl, Stanley & Co.
31 Sun Street, London EC2M 2QP

Solicitors *(to the re-listing)*
Linklaters & Paines
Barrington House, 59-67 Gresham Street, London EC2V 7JA

Solicitors (to the placing)
Norton, Rose, Botherell & Roche
Kempson House, London EC3A 7AN

Auditors to the Company
Price Waterhouse & Co. *(Chartered Accountants)*
Southwark Towers, 32 London Bridge Street, London SE1 9SY

Registrars and Transfer Office
Hill Samuel Registrars Limited
6 Greencoat Place, London SW1 1PL

HISTORY AND BUSINESS

The Company was *incorporated on 12th November, 1918 with the object of acquiring interests* in mining properties and carrying on the business of a general finance and investment company. During 1977 the Company acquired the entire issued share capital of Worldwide Technical Services Group Limited, a company specialising in the secondment and placement of high technology personnel. Worldwide Technical Services Group Limited was incorporated on 14th July, 1969 as S.B. Constructors Limited and changed its name to its present name on 10th August, 1977. It has an issued capital of £1,000 consisting of 1,000 Ordinary Shares of £1 each.

On 4th October, 1979 a consortium comprising Mr. A. M. Milne, Mr. W. F. O'Hara, Mr. A. N. *Breeze, Mr. J. A. Wilkinson, Mr. D. M. Milne, Mr. R. Brooks, Mr. H. F. Cooper and Mr. J. R. Sail* ("the Consortium") purchased 808,408 Ordinary Shares in the Company at a price of 25p each, thereby acquiring 50.52 per cent. of the then issued share capital of the Company. In accordance with the rules of The City Code on Take-overs and Mergers a general offer was subsequently made in a circular letter to shareholders dated 31st October, 1979 from Manchester Exchange and Investment Bank Limited on behalf of the Consortium for all the issued 791,592 Ordinary Shares in the Company not already owned by the Consortium, on the basis of 25p in cash for each fully paid Ordinary Share. The circular letter stated that with a view to ensuring a wider spread of shareholdings arrangements *would be made to place an aggregate 40 per cent. of the total number of Ordinary Shares either* owned or acquired by the Consortium; as a result the Consortium thereafter owned 666,506 Ordinary Shares in aggregate (to 41.66 per cent. of the then issued share capital). The offer closed on 22nd November, 1979 and on the same date the then Chairman and other members of the Board of the Company resigned and Mr. I. C. Elliot (Chairman), Mr. A. M. Milne, Mr. W. F. O'Hara, Mr. J. A. Wilkinson, Mr. R. Brooks and Mr. H. F. Cooper were appointed as Directors. At the closing of the offer, in view of the high proportion of uninvested cash held by the Company it was requested that the listing of the Ordinary Shares be suspended temporarily pending clarification of *the future use of these funds.*

Following negotiations with the Board of Burrows, the Company on 17th October, 1980 entered into the Burrows Agreements for the acquisition of the industrial properties. The consideration for the acquisition was £1,250,000 satisfied by the allotment at par to Burrows of 5,000,000 new Ordinary Shares of 25p each in the Company credited as fully paid and arrangements were made whereby the Company's stockbrokers, Montagu, Loebl, Stanley & Co., placed at par 2,900,000 of such new Ordinary Shares (43.94 of the enlarged issued share capital). A letter was sent by the Company to its shareholders on 17th October, 1980 including a Notice convening an Extraordinary General *Meeting of the Company for 3rd November, 1980 at which an Ordinary Resolution approving the* acquisition, the placing and the necessary increase in the Company's authorised share capital was duly passed. Further information regarding the new Ordinary Shares and the holdings of the Directors of the Company and of the Consortium following the acquisition and the placing is given in respectively paragraphs 1(b) and 5 under "Statutory and General Information" below.

MANAGEMENT AND EMPLOYEES

Mr. I. C. Elliot is aged 38 and is the Chairman of the Company. He has been a member of The Stock Exchange for several years and is an *Associate Member with Montagu, Loebl, Stanley* & Co. Mr. W. F. O'Hara, who is aged 40, is a Chartered Accountant and holds the office of Managing Director. Mr. O'Hara has worked in management consultancy and has been financial director of a listed company's subsidiary. Since 1976 he has been a shareholder and director, with specific responsibility for financial and advisory services, of a private consultancy company, *Midamace Limited, which also has interests in property management and marketing of electrical* products.

Non-executive offices are held by Mr. R. Brooks, aged 49, a quantity surveyor, who since 1962 has been a director of Burrows, and is now a shareholder and the managing director of that company. Mr. J. A. Wilkinson, aged 48, an accountant who until two years ago was a partner in a professional *practice and who since retiring from this practice has been a shareholder and finance director of* Burrows and has a number of other business interests; Mr. H. F. Cooper, aged 50, who has for many years operated a family owned retail and wholesale newsagents business in Derbyshire, and Mr. A. M. Milne, aged 33, who has *held a number of executive posts during his working* career, including a period of three years with a subsidiary of a merchant bank where he became a regional manager, then a director, and who since May 1976 has been a shareholder and director of Midamace Limited.

The Group has approximately 15 employees.

PROFITS AND ASSETS

A proforma consolidated balance sheet of the Group as at 31st March, 1980, which assumes completion of the Burrows Agreements is set out below.

The Board considers that the losses of Worldwide Technical Services Group Ltd. have been *arrested and that, with the completion of the Burrows Agreements, the Company should be able to* resume a period of earnings and dividend growth. However it does not now consider it appropriate to make a profit forecast.

PROSPECTS AND FUTURE POLICY

It is the intention of the Directors that management of the properties acquired shall be conducted by a wholly owned subsidiary, the board of which will comprise the present Directors of the Company. Arrangements will be made to ensure that any contracting or other construction work undertaken on behalf of the Company will first be approved by Directors of the subsidiary who have no interest, direct or indirect, in the contractor undertaking such work, and only after *competitive tenders have been obtained.*

Following the acquisition the Board intends to continue the expansion of the Company both by maintaining its search for other suitable investments related to the present activities of the *Company and by the eventual development of the 6.5 acres of development land acquired adjacent* to the completed industrial estate in Ilkeston. It is intended that the interests of employees and their present rights will be safeguarded and that no redundancies will arise as a result of the acquisition.

VALUATION OF THE INDUSTRIAL PROPERTIES

The following is a copy of a valuation dated 14th October, 1980 by Robert Clarke & Co., Chartered Surveyors addressed to the Directors of the Company:—

Dear Sirs,

In accordance with your instructions we have inspected the freehold properties located at *Belfield Street, Ilkeston, Derbyshire and Cromford Road, Langley Mill, Nottinghamshire* which we understand your Company proposes to purchase. These properties which are listed and described briefly in the Schedule attached to this Letter comprise:—

1. *Purpose built light industrial and warehouse units constructed in the early 1970's in the* case of the first phase of the Belfield Street Development which has now been completed.
2. Purpose built light industrial and warehouse units constructed in the 1970's in the case of the Cromford Road Development which is currently being completed.
3. A site forming the Second Phase of the Belfield Street Development which is zoned for *industrial development. This property comprises a partly demolished complex on which* planning permission for Redevelopment as such is being actively sought.

We have been supplied by the Directors of Burrows (Builders) Limited with information as to planning consents, development plans and other relevant information including estimated development costs of both completed and proposed developments (which do not differ significantly *from our own estimates) as set out in the Schedule to this letter. On the basis of this information* we are of the opinion that the current open market values of the properties total £1,480,000 made up as to:—

(A)	Properties held as investments	£1,067,500
(B)	Properties in the course of development	£ 282,500
(C)	Properties for future development	£ 130,000
		£1,480,000

We have not personally examined any Documents of Title or Leases relating to any of the properties concerned but have relied upon the details supplied by Burrows (Builders) Limited *in* this connection.

No allowances have been made in the valuation for expenses of realisation or taxation (e.g. *Capital Gains or Development Land Taxes) and our inspection did not include a Structural Survey* of the Buildings nor an examination or testing of the Service Installations. However we have taken note of the Structural Survey commissioned by you.

Yours faithfully,
Robert Clarke & Co.

The Schedule referred to in Messrs. Robert Clarke & Co's valuation is set out below:—

A. Properties held as *Investments*

Location of Factory Unit	Area in Square Feet	Tenant	Lease Details	Original Rental (Note 1) £	Estimated Cost of Construction including Site £	Original Capital Valuation at First Letting £	Present Rental £	Present apportioned capital Value on Basis of Existing Leases (Note 1) £
Unit 1 Belfield Street	34,242	Grampian Holdings Ltd.	35 years 25.12.71 7 yr. review	11,000	78,594	132,000	31,000	285,000
Unit 1A Belfield Street	4,211	Grampian Holdings Ltd.	Combined with Lease for Unit 1 from 25.6.78	2,105	29,400	21,050		
Unit 2 Belfield Street	25,020	Grampian Holdings Ltd.	35 years 21.5.73 7 yr. review	10,000	73,867	120,000	28,500	240,000
Unit 3 Belfield Street	21,390	Tyne and Clyde Warehouses Ltd.	35 years 25.3.74 7 yr. review	10,790	74,390	118,690	10,790	190,000
Unit 1 Cromford Road	4,450	James Robinson	20 years 29.9.77 4 yr. review	4,000	46,675	38,000	4,000	50,000
Unit 2 Cromford Road	4,800	Printhouse Ltd.	*20 years* 11.2.78 4 yr. review	4,250	48,475	38,250	4,250	52,500
Units 3, 4 & 5 Cromford Road	15,244	Robert Elas sublet to Vallinoba Ltd.	25 years 24.6.76 5 yr. review	12,000	81,800	108,000	12,000	145,000
Units 11 & 12 Cromford Road	9,400	Speedaire Ltd.	35 years 1.12.73 7 yr. review	3,680	26,666	40,480	3,680	105,000
							£94,220	£1,067,500

B. Properties in the course of development

Location of Factory Unit	Area in Square Feet	Tenant	Lease Details	Estimated Cost of Construction including Site £	Estimated Cost of completing Development £	Original Capital Valuation of First Letting £	Present Rental £	Present apportioned Capital Value on Basis of Existing Leases (Note 1) £
Unit 6 *Cromford* Road	5,200	*Heatcraft* Ltd.	20 years 25.6.79 4 yr. review	45,545	2,240	50,000	5,000	55,000
Unit 7 Cromford Road	3,200	Heatcraft Ltd.	20 years August 80 4 yr. review	39,628	2,260	47,500	4,800	47,500
Unit 8 Cromford Road	3,200	A.V.B. Constructions Ltd.	20 years August 80 4 yr. review *(Note 2)*	39,628	2,260	47,500	4,800	47,500
Units 9 & 10 Cromford Road	7,500	Leaf Contracts (Derby) Ltd.	20 years 1.7.80 4 yr. review	101,325	6,240	132,500	13,250	132,500
					£13,000		£27,850	£282,500

C. Properties held for Future Development

Location of Factory Unit		Area in Square Feet	Current Estimated Rental (Note 3) £	Present Site Value £
Units 4, 5 & 6	Belfield Street	30,000	49,500	130,000
Units 7, 8 & 9	Belfield Street	30,000	50,500	
Units 10 & 11	Belfield Street	15,000	25,750	
Unit 12	*Belfield Street*	*10,000*	*18,000*	

Notes:—
1. The present site value on the basis of existing leases is the value attributable to an apportionment of the valuation of the entire property portfolio offered for sale as a single transaction. The current value attributable to each Unit on the basis of individual Unit sales *should be higher than the figures shown in the Schedule.*
2. A.V.B. Constructions Limited is at present occupying Unit 8, but as yet the terms of the lease are under negotiation.
3. The future development of *Belfield* Street *to be designed to allow the following arrangement* for any necessary variation of Unit letting.
   Unit 4, 5 & 6 — One Unit of 30,000 square feet or three Units of 10,000 square feet
   Unit 7, 8 & 9 — One Unit of 30,000 square feet or three Units of 10,000 square feet
   Unit 10 & 11 — One Unit of 15,000 square feet or two Units of 7,500 square feet
   The estimated current rental for Units 4 to 12 Belfield Street is based on an assumed letting of the larger Units. Higher rents should be achievable if the variation to smaller units is made.

REPORT FROM PRICE WATERHOUSE & CO. ON RENTAL INCOMES FROM PROPERTIES ACQUIRED

The following is a copy of a report dated 7th October, 1980 from Price Waterhouse & Co., Chartered Accountants addressed to the Directors of the Company:—

Gentlemen,

There is set out in the table below information in respect of the rental income for the five years ended 31st March, 1980 relating to the industrial estates at Ilkeston, Derbyshire and Langley Mill, Nottinghamshire which the company has acquired from Burrows (Builders) Limited ("Burrows"). The information is derived from the books and records of Burrows.

We have not carried out an audit of the accounts of Burrows for any of the five years, but we have verified the rental income with such documentation and other evidence as we considered appropriate. We report that in our opinion the table has been properly compiled from the information which was the subject of our review.

	1976	1977	1978	1979	1980
	£	£	£	£	£
Rental income	33,600	39,984	49,667	61,394	79,470

Under the terms of the leases on the properties all outgoings are normally recharged to tenants. In the course of our work we have found no significant outgoings which were not recharged to tenants other than Burrows' administration costs and taxation payable in respect of the net rentals.

Yours faithfully,
Price Waterhouse & Co.

FINANCIAL INFORMATION RELATING TO THE GROUP

The following information relating to the Group for the five years and six months ended 31st March, 1980, the consolidated profit and loss account for the six months ended 31st March, 1980 and the consolidated balance sheet at 31st March, 1980 *are taken from the audited consolidated* accounts of the Group.

AUDITED ACCOUNTS FOR THE SIX MONTHS ENDED 31st MARCH, 1980
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31st MARCH, 1980

		12 months ended 30th September, 1979
TURNOVER	£	£
Finance and Investment	119,881	172,257
Personnel Services	735,803	1,412,195
	£855,684	£1,584,452
GROUP OPERATING PROFIT (Note 2)		
Finance and Investment	5,976	27,836
Personnel Services	(5,441)	(44,000)
PROFIT/(LOSS) BEFORE TAXATION AND EXTRAORDINARY ITEMS	535	(18,184)
TAXATION (Note 3)	(5)	18,318
PROFIT BEFORE EXTRAORDINARY ITEMS	530	154
EXTRAORDINARY ITEMS (Note 4)	(12,452)	(100,000)
(LOSS) AFTER TAXATION AND EXTRAORDINARY ITEMS	£(11,922)	£(99,846)
EARNINGS PER SHARE	0.03p	0.01p

CONSOLIDATED BALANCE SHEET—31st MARCH, 1980

			30th September, 1979	
	£	£	£	£
GOODWILL (Note 5)		115,537		115,537
FIXED ASSETS (Note 6)		25,486		28,934
CURRENT ASSETS				
Investments	—		119,893	
Debtors	175,188		173,161	
Taxation	8,195		7,747	
Short term deposits	240,050		120,014	
Other bank balances and cash	10,933		2,506	
	434,366		423,321	
CURRENT LIABILITIES				
Creditors	124,889		154,017	
Bank overdrafts (£53,128 (1979 £4,744) secured)	53,391		4,744	
	178,280		158,761	
NET CURRENT ASSETS		256,086		264,560
		£397,109		£409,031
Representing:				
CAPITAL AND RESERVES				
Share Capital (Note 7)		400,000		400,000
Reserves (Note 8)		(2,891)		9,031
		£397,109		£409,031

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED 31st MARCH, 1980

			12 months ended 30th September, 1979	
SOURCE OF FUNDS				
Profit/(Loss) before taxation and extraordinary items		535		(18,184)
Adjustment for items not involving movement of funds: Depreciation		2,842		9,563
Total generated by/(absorbed by) operations		3,377		(8,601)
FUNDS FROM OTHER SOURCES				
Sale of fixed assets		2,456		—
Proceeds of sale on investments (1979 net increase in investments)		119,893		(16,728)
		125,726		(23,329)
APPLICATION OF FUNDS				
Dividends paid	—		13,200	
Taxation paid	453		19,429	
Purchase of fixed assets	1,850		195	
Extraordinary items (Note 4)	12,452	14,755	—	32,824
		£110,971		£(56,153)
INCREASE/(DECREASE) IN WORKING CAPITAL				
Increase/(decrease) in debtors	2,027		(27,983)	
Decrease in creditors	29,128		28,911	
Movements in net liquid funds: *Increase/(decrease) in bank and cash balances*	79,816		(57,081)	
		£110,971		£(56,153)

NOTES TO THE ACCOUNTS 31st MARCH, 1980

1. Accounting Policies

(1) Consolidation. The consolidated accounts incorporate the results and assets and liabilities *of all subsidiaries. The results of subsidiaries acquired are included from the date of acquisition.*

Goodwill represents the difference between the cost of shares in subsidiaries and the book amount of the net assets attributable to such shares at the date of acquisition, less an amount written off to reflect a diminution of value (Note 5).

(2) Investments. Investments are stated in the aggregate at the lower of cost and market value; any *provision required* to *write* the investments down to market value is charged to the profit and loss account. Market value is based on the bid price at the close of the last business day before the balance sheet date.

(3) Income from investments. Dividend income includes dividends declared as at the balance sheet date. Franked dividend income has been grossed up by the imputation tax credit. All realised surpluses and deficits on sales of investments, being the difference between the sales proceeds and cost (or cost less provisions made in prior years), are brought into the profit and loss account.

(4) Fixed assets. Fixed assets are stated at their cost to the Group. Depreciation on fixed assets is provided for on the following bases:

Office furniture and equipment	20 per cent. on written down value
Computer	20 per cent. on cost
Motor vehicles	25 per cent. on written down value
Short leasehold premises	Amortised over the life of the lease, except that an increased amount of amortisation was provided in the year ended 30th September, 1979 to reflect a *permanent diminution of value.*

(5) Deferred taxation. No provision is made for deferred taxation unless there is reasonable probability of payment in the foreseeable future.

(6) Foreign currencies. All foreign currency items have been expressed in sterling at the rates of exchange ruling at the balance sheet date.

(7) Turnover. Turnover comprises:
(a) The proceeds from the sale of dealing investments; and
(b) Billings to customers for personnel services excluding value added tax.

2. Profit and Loss Account

The Group operating profit before taxation and the extraordinary items is stated after taking *account of:*

	Six months ended 31st March, 1980	Year ended 30th September, 1979
	£	£
Surplus on sale of investments	—	18,914
Income from listed investments	1,507	7,498
Bank interest receivable and other income	15,878	17,186
Bank interest payable	4,588	4,889
Depreciation	2,842	9,563
Directors' fees*	12,440	8,680
Auditors' remuneration	4,038	6,250

*Waivers of Directors' fees were given amounting to £3,250; £1,033 by past Directors and £2,217 by present Directors.

3. Taxation

	Six months ended 31st March, 1980	*Year ended 30th September, 1979*
Credit/(charge) based on profit for the year at 40 per cent. (1979, 42 per cent.)	£	£
Tax imputed to franked investment income	—	(1,076)
Corporation tax	(5)	7,365
Deferred taxation	—	10,029
	£ (5)	£18,318

The approximate amounts of corporation tax losses at 31st March, 1980 available for relief against any future profits are as follows:

	£
Finance and investment activity	128,000
Personnel services activity (including £17,000 taken into account in arriving at the balance on deferred taxation)	23,000
Capital losses	202,000

The profit arising from the finance and investment activity does not give rise to a charge to corporation tax because of losses brought forward.

Taxation deferred at 31st March, 1980 amounted to:

	31st March, 1980	*30th September, 1979*
	£	£
Capital allowances	8,629	10,692
less corporation tax losses carried forward	(8,629)	(10,692)
	—	—

4. *Extraordinary Items*

	Six months ended 31st March, 1980	Year ended 30th Sept., 1979
	£	£
Professional and other costs incurred in relation to advising shareholders *in connection with the Offer for the Ordinary Shares of the Company* by Mr. A. M. Milne and associates	12,452	
Write-off against goodwill (see Note 5 below)		100,000
	£12,452	£100,000

5. Goodwill

The cost of the Company's interest in the Worldwide Group of £253,349 includes goodwill *arising* on acquisition of £215,537. In 1979 the deterioration in the Worldwide Group's results led the Directors to consider that some diminution in the goodwill arising on the acquisition of the Worldwide Group had occurred, and the *Directors considered it appropriate to write off £100,000 of the* interest in the Worldwide Group in the accounts for the year ended 30th September, 1979.

The losses of the Worldwide Group have now been arrested and the Directors consider that the *business of the Worldwide Group* continues to have a value substantially in excess of its net tangible assets and that whilst it is not possible to determine precisely the value of the remaining goodwill, no further write-off of the interest in the Worldwide Group is *necessary at present.*

6. Fixed Assets

	Short Leasehold *Premises*	Office Furniture Equipment *& Computer*	Motor Vehicles	*Total*
	£	£	£	£
Cost	17,373	27,027	5,805	50,205
Accumulated depreciation	8,694	14,441	1,584	24,719
Net Book Value	£8,679	£12,586	£4,221	£25,486

7. Share capital

	31st March, 1980	30th Sept., 1979
Authorised: 3,200,000 ordinary shares of 25p each	£800,000	£800,000
Issued and fully paid: 1,600,000 ordinary shares of 25p each	£400,000	£400,000

8. Reserves

	The Group
At 1st October, 1979	*9,031*
Deficit for the six months	(11,922)
At 31st March, 1980	£ (2,891)

9. Earnings per Share

The earnings per share is calculated on the consolidated profit for the six months (1979—twelve months) after taxation but before the extraordinary items on the basis of 1,600,000 shares in issue *throughout the eighteen months ended 31st March, 1980.*

Report to the Directors of The Phoenix Mining and Finance, Limited

We have examined the accounts and notes thereon set out above which have been prepared under the historical cost convention.

As indicated in Note 5, the *Directors considered it appropriate to write off* in the year to 30th September, 1979 £100,000 of the interest in subsidiaries to reflect a diminution in the value of the goodwill of £215,537 arising on acquisition of the Worldwide Group. *It is not possible to* determine precisely the value of the remaining goodwill.

Subject to the uncertainty relating to the amount at which the interest in the Worldwide Group should be stated, in our opinion the accounts give, *under the convention* stated above, a true and fair view of the state of affairs of the Group at 31st March, 1980 and of the loss and source and application of funds of the Group for the six months then ended.

Southwark Towers,
32 London Bridge Street,
London, SE1 9SY.

PRICE WATERHOUSE & CO.,
Chartered Accountants

14th October, 1980.

PRO-FORMA CONSOLIDATED BALANCE SHEET

The pro-forma consolidated balance sheet set out below has been prepared by adjusting the audited consolidated balance sheet of The Phoenix Mining and Finance, Limited at 31st March, 1980 *to reflect the acquisition of the industrial properties* described in the letter from Robert Clarke & Co. above, the issue of 5,000,000 shares and for the estimated expenses of these transactions. The audited consolidated balance sheet of The Phoenix Mining and *Finance, Limited at 31st March*, 1980 is set out below for comparative purposes.

The Phoenix Mining and Finance, Limited 31st March, 1980 £		*Pro-forma* consolidated balance sheet £
115,537	GOODWILL	115,537
25,486	FIXED ASSETS	1,425,486
	CURRENT ASSETS	
175,188	Debtors	175,188
8,195	Taxation	8,195
240,050	Short term deposits	240,050
10,933	Other bank balances and cash	10,933
434,366		434,366

JOBS COLUMN

The real cause of unfair dealing

BY MICHAEL DIXON

"MISLEADING and potentially dangerous." That is how selection consultant Malcolm Levene describes the advice, relayed through the Jobs Columns of the last two Tuesdays, on how job-candidates should approach interviews.

The nub of this advice is that, from the candidate's viewpoint, a job-interview is not a proper occasion to confess weaknesses as well as strengths, and doubts as well as enthusiasms. The interview is rather an opportunity to compete with well prepared cunning, and against the interviewer and the other contending applicants, for the offer of the post in question.

In disagreeing "radically" with the above argument, Mr. Levene seems to be in a minority of one. Of the 30 or more comments which readers have so far made on the topic, all but his have expressed at least broad approval.

But that is no reason why his objections should be denied a hearing, especially since he writes from 20 years experience of selecting people for jobs. A psychologist, he was formerly responsible for training the Department of Employment's occupational guidance officers, and now directs the Mandata consultancy.

Malcolm Levene's protest was evidently stimulated particularly by the discussion in this column a week ago about the treatment of psychological tests which candidates are often asked to take as part of the process of job-selection. What I did last week was to quote the advice of Tom Carew, of the Percy Coutts consultancy, that candidates should respond to such tests by giving "the answers appropriate to the job." I then added the comment that Dr. Pat Elliott of Trinity College, Dublin, who has studied how job-applicants tackle personality tests, recently commented that candidates who *don't* fake personality tests when a job is at stake are psychologically "a very odd bunch of people indeed."

By doing so, Mr. Levene considers, the Jobs Column "promoted" the view that applicants should "deliberately fake psychological tests."

"The apparently innocuous advice to present onself to the best advantage," Malcolm Levene says, thus "becomes revealed as what it actually is—an inducement to manipulate and distort evidence in order to gain an advantage over competitors which may very well be an unfair one. . . .

"I can understand the philosophy of raw survival, which in job terms is going to mean work at any price, any penalty, but is that really the situation you are envisaging when you compose these columns? I, too, should lie my head off if otherwise my family was going to starve, but for the majority of your readers I doubt that this is yet the case.

"Most, I would judge, are still very keen on finding themselves a good career opening in a company which will treat them well and manage their future career to their mutual best advantage, and for such people the advice you offer is a prescription for misery—and another 'redundancy' one of these fine days.

"Why do I argue this? I argue thus because I spend a very great deal of my time within companies, helping them to re-evaluate the capabilities of personnel at all levels of management, and I can assure you that surprise and disappointment abound on all sides.

"This is clearly the result of poor selection practices combined with the tendency, the very human tendency of people to fake when inexpertly handled by the selection interviewer, which is currently very much the case, I'm sorry to say. How much worse will you make it if you advise people to take a 'professional' approach to the manipulation of evidence, thus stretching the limited competence of most recruiters beyond breaking point.

"It is a situation very analogous to the ability of the richest to buy the most persuasive counsel in a court; something that daily damages the *confidence of the public* in the administration of justice. . . .

"We are in a parlous state in this country," Mr. Levene continues. "From all sides I hear top managers bemoaning the quality of their lesser management. And the reason they are in trouble is because they have been denied, or have themselves failed to obtain the information upon which to base their recruitment and promotion activities.

"Being misjudged is a daily experience for huge numbers of managers, which they cope with by swallowing their pride and buckling to with an ever decreasing sense of job-satisfaction. Do we really want more of the same?"

Wrong question

Now, while much moved by Malcolm Levene's appeal for *straight-forwardness* by job-candidates, the Jobs Column cannot help feeling that his final question has some *similarities* with "have you stopped beating your wife yet?"

Certainly, I don't want "more of the same" and neither, I suspect, would anyone else. In an ideal world, surely everyone would want both candidate and selector involved in any job-offer to be scrupulously straightforward at all times.

Alas, however, this is not an ideal world. So to my mind, whether any of us really *wants* more devious behaviour in the processes of trying to ensure *that jobs are filled by the people* best able to do them, is hardly the apposite question. What needs to be asked in a practical world is who should bear the primary responsibility for bringing about the straightforward behaviour which is undoubtedly *preferable.* And I *have* little hesitation in arguing that the onus lies on the would-be employer.

Mr. Levene is right to compare job selection generally with court actions. But it is not the applicant who, as he seems to suggest, is able to buy the most persuasive counsel.

That ability, in the case of *deciding who shall and shall* not be appointed to a job, surely always belongs to the employer. The *"most persuasive counsel"* is inevitably the recruiter, in the sense of the person who *whittles down* the initial applications at least into a short-list of candidates. Even where the *final appointment* is determined by someone else, the recruiter virtually by definition deprives the majority of people who are interested in the job, of any opportunity to plead their claim where it really matters.

This *prerogative* of the recruiter would of course be justified, if the recruiter could be relied upon to exercise it fairly and objectively. But Malcolm Levene in his own words *states that recruiters in general* are not so reliable.

It is their inexpertness which, in the matter of job-selection, "daily damages the confidence of the public in the administration of justice," and primarily creates the need for candidates to cheat in their own self defence.

So if the present parlous position is to be exchanged for a better one, then it is no good *top managers bemoaning the* quality of their lesser management. The same top managers need to recognise their own basic responsibility for their problems, and look to the people and procedures through which their subordinate staff are *selected. And if they and* Malcolm Levene really wish job-applicants to stop cynically pursuing offers of jobs as an end in itself, and instead apply only for openings "in a company which will treat them well and manage their future career to their mutal best advantage," then employers will have to change their behaviour in other ways as well.

Top managers will need to cease cynically throwing out *long-serving subordinates* in middle-age with the minimum necessary compensation, and going ahead with the recruitment of new graduates even though the company concerned is aware that there is a strong risk that it will have to sack the recruits before they even enter the company's offices.

In short, employing organisations and their recruiters will need to take the initiative by being generally less cavalier in *their treatment of individual* men's and women's lives.

Until employers do so, then I feel that job *applicants* will be not only wise but also justified in continuing to treat interviews as a game to be played with cunning, given the proviso that unless they precede such tactics with painstaking thought and rehearsal, they would do better *to shun games*-playing and be straightforward.

Project Financing

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He will be responsible for in-depth credit and project analysis and will be involved in structuring Eurocurrency financings and in the preparation of their documentation. Additionally he will actively contribute to the Department's marketing activities and assume client relationships.

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Applications with detailed curriculum vitae will be treated in the strictest confidence and should be sent to:

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F. Perlewitz, Manager, 20, rue de la Paix - 75002 Paris.

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Applications are invited for the post of Secretary Elect of the Royal Academy as from 1 October, 1981, with a view to taking over the duties of Secretary from 1 April, 1982. Details and application form (to be submitted by 1 January, 1981) are obtainable from the Registrar.

AES

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We are currently expanding our coverage of the electrical and electronics industries and wish to recruit an experienced Analyst who would be responsible for building up our research in this area.

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Continued . . . .

	CURRENT LIABILITIES	
124,889	Creditors ...	274,889
53,391	Bank overdrafts ...	53,391
178,280		328,280
258,086	NET CURRENT ASSETS ...	108,086
£397,109		£1,647,109
	Represented by:	
400,000	SHARE CAPITAL ...	1,650,000
(2,891)	RESERVES ...	(2,891)
£397,109		£1,647,109

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE FIVE YEARS AND SIX MONTHS ENDED 31st MARCH, 1980

	Year ended 30th September, 1975	Year ended 30th September, 1976	Year ended 30th September, 1977	Year ended 30th September, 1978	Year ended 30th September, 1979	Six months ended 31st March, 1980
	£	£	£	£	£	£
TURNOVER						
Finance and investment	1,131,388	475,626	288,920	71,217	172,257	119,881
Personnel services	—	—	812,064	1,699,144	1,412,195	735,803
	£1,131,388	£475,626	£1,100,984	£1,770,361	£1,584,452	£855,684
GROUP OPERATING PROFITS						
Finance and investment	30,943	15,488	58,927	(12,732)	27,836	5,976
Personnel services	—	—	18,919	33,369	(44,000)	(5,441)
	30,943	15,488	77,846	20,637	(16,164)	535
Dividend from Associated Company	4,861	4,861	2,430	4,787	—	—
Surplus on disposal of interest in Associated Company (Note 3) ...	—	—	—	47,800	—	—
Profit/(loss) before taxation and extraordinary items	35,804	20,349	80,276	73,224	(16,164)	535
Taxation	493	(8,093)	(21,352)	(11,137)	16,318	(5)
Profit after taxation but before extraordinary items	36,297	12,256	58,924	62,087	154	530
Extraordinary items (Note 4)	—	—	(40,972)	—	(100,000)	(12,452)
Profit/(loss) for year after taxation and extraordinary items	36,297	12,256	17,952	62,087	(99,846)	(11,922)
Dividend payable	24,000	6,000	12,000	13,200	—	—
Retained profit/(loss) ...	£12,297	£6,256	£5,952	£48,887	(£99,846)	(£11,922)
Earnings per share	2.27p	0.77p	3.68p	3.88p	0.01p	0.03p

Notes:—

1. The consolidated profit and loss accounts for the five years ended 30th September, 1979 have been extracted from the published accounts to which reference should be made. Consolidated accounts for the six months ended 31st March, 1980 are set out above together with the auditors' report thereon.
2. The *Worldwide* Group of companies, which operates the personnel services activity, was acquired on 31st March, 1977.
3. The interest in the associated company, Globe & Phoenix Gold Mining Company Limited, was disposed of in accordance with an offer made to shareholders in August, 1978.
4. The extraordinary item in the year ended 30th September, 1977 represents the Company's share of costs in respect of a proposed scheme of arrangement between the Company and the associated company which was subsequently abandoned. The extraordinary items in the year ended 30th September, 1979 and the six months ended 31st March, 1980 are explained in Note 4 to the accounts for the six months ended 31st March, 1980 above.

STATUTORY AND GENERAL INFORMATION

1. Share Capital

(a) The authorised share capital of the Company was increased by Ordinary Resolution passed on 3rd November, 1980 from £800,000 consisting of 3,200,000 Ordinary Shares of 25p each of which 1,600,000 had been issued and were fully paid up to £1,650,000 consisting of 6,600,000 Ordinary Shares of 25p each of which all the new Ordinary Shares so created have been issued in satisfaction of the purchase consideration under the Burrows Agreements.

(b) The 5,000,000 new Ordinary Shares in the Company allotted to Burrows under the Burrows Agreements rank pari passu with the existing issued Ordinary Shares in the Company, and of 2,900,000 of the new Ordinary Shares were the subject of the placing referred to above and of these shares 208,000 were placed with certain members of the Consortium, all of whom are Directors of the Company, and 52,083 were placed with Mr. I. C. Elliot, the Chairman of the Company. The remaining 2,100,000 new Ordinary Shares (31.82 per cent of the enlarged issued share capital) have been transferred by Burrows to its shareholders, Mr. R. Brooks, Mr. J. A. Wilkinson and Mr. J. R. Sail, who have covenanted with the Company to retain such shares at least until 31st March, 1982 and have waived the entitlement to any dividends in respect of such shares paid by reference to any year ended on or before 30th September, 1981. The holdings of the Directors of the Company and of the Consortium shown in paragraph 5 below reflect these arrangements.

(c) Save as disclosed herein, since 4th November, 1978 (i) no capital of the Company or any of its subsidiaries has been issued, or is proposed to be issued, for cash or otherwise; and (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

(d) No capital of the Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option and no material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year without the prior approval of the Company in general meeting.

2. Articles of Association

The Articles of Association of the Company contain, inter alia, provisions to the following effect:—

Voting

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles, at any General Meeting on a show of hands every Member who (being an individual) is present in person or (being a corporation) is represented by a duly authorised representative shall have only one vote, and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Directors

(a) A Director shall not be required to hold any qualification shares.

(b) Each of the Directors shall be entitled to remuneration at a rate of £1,000 per annum and the Chairman shall be entitled to a further £500 per annum. The Directors shall also be entitled to be repaid travelling and other expenses of attending meetings of the Directors or General Meetings or otherwise properly expended while engaged on the business of the Company.

(c) Any Director who is appointed to executive office or who is required to perform extra services or to go abroad or otherwise be specially occupied about the Company's business shall be paid such extra remuneration as the Board may determine.

(d) A Director may hold any office or place of profit (other than that of Auditor) under the Company, in conjunction with his office as Director.

(e) Directors are required to retire upon attaining the age of 70, in accordance with s.185 of the Companies Act, 1948.

(f) At each Annual General Meeting one-third of the Directors (excluding a Managing or Joint Managing Director) are subject to retirement by rotation.

(g) No Director shall be disqualified by his office from contracting with or being interested in any contract or arrangement with the Company (or any other company in which the Company may be interested) and may retain all profits and advantages accruing therefrom provided that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall have declared his interest in accordance with the Companies Acts.

(h) A Director shall be entitled to vote in respect of any resolution concerning any of the following matters, namely:—

(i) any arrangement for giving a Director security for advances or by way of indemnity;
(ii) any contract for the allotment to or any contract or arrangement for the underwriting or subscription by a Director of shares or debentures of the Company;
(iii) any arrangement for the payment by the Company of any pension or other retirement, superannuation, death or disability benefits to or by any person in respect of any Director or ex-Director and for the purposes of providing any such pensions or other benefits to contribute to any scheme or fund or pay premiums.

Borrowing Limit

The Directors may borrow or raise from time to time such sums of money necessary for the purposes of the Company. The aggregate amount at any one time owing by the Group in respect of moneys borrowed (excluding intra-group borrowings) shall not at any time exceed, without the sanction of the Company in General Meeting, an amount equal to the amount paid up on the issued share capital of the Company.

3. Subsidiary Companies

The Company has the following subsidiaries, none of whose shares are listed on any stock exchange and all of which are wholly owned:—

Name	Place	Date of Incorporation	Issued Share Capital	General Nature of Business
Worldwide Technical Services Group Limited	England	14th July, 1969	1,000 Ordinary Shares of £1 each	Secondment and placement of high technology personnel
Status Executive Consultants Limited	England	25th June, 1965	219 Ordinary Shares of £1 each 10,831 (6%) Preference Shares of £1 each	Not Trading.
Worldwide Capital Projects Limited	England	25th July, 1973	1,000 Ordinary Shares of £1 each	Not Trading.
Worldwide Qualifications Limited	England	20th July, 1971	2 Ordinary Shares of £1 each	Not Trading.
Worldwide Technical Services (Contracts) Limited	England	25th September, 1969	100 Ordinary Shares of £1 each	Not Trading.
Worldwide Employment Limited	England	10th August, 1970	100 Ordinary Shares of £1 each	Not Trading.
Worldwide Design and Engineering Limited	England	2nd March, 1971	100 Ordinary Shares of £1 each	Not Trading.
Worldwide Accountancy Personnel Limited	England	31st July, 1973	2 Ordinary Shares of £1 each	Not Trading.
Worldwide Industrial Personnel Limited	England	1st February, 1979	100 Ordinary Shares of £1 each	Not Trading.
Worldwide Office Personnel Limited	England	8th February, 1974	100 Ordinary Shares of £1 each	Not Trading.

4. Premises

The only premises occupied by the Group is the registered office of the Company at 153/185 High Street, Acton, London W3 9DD, which is held on a short lease which was granted to Worldwide Technical Services Group Limited on 29th September, 1973 for 20 years, with rent reviews every five years. The current rent on the premises is £8,100 per annum.

5. Directors' and Other Interests

(i) The interests (all of which are beneficial) of the Directors of the Company, including family interests, in the issued Ordinary capital of the Company as shown in the register maintained under the provisions of the Companies Act 1967, are as follows:—

	Number of Shares	%
I. C. Elliot	65,000	0.98
W. F. O'Hara	36,978	0.56
J. A. Wilkinson	408,892	6.20
A. M. Milne	20,490	0.31
R. Brooks	466,892	7.08
H. F. Cooper	341,892	5.18

(ii) So far as the Directors are aware the only other person who owns more than 5 per cent. of the Share Capital of the Company is Mr. J. R. Sail who holds 1,649,692 Shares (24.99 per cent.).

The Consortium shareholdings are as follows:—

Members of the Consortium	Number of Shares	%
A. M. Milne	20,490	0.31
W. F. O'Hara	36,979	0.56
A. N. Breeze	32,979	0.50
J. A. Wilkinson	408,892	6.20
D. M. Milne	16,490	0.25
R. Brooks	466,892	7.08
H. F. Cooper	341,892	5.18
J. R. Sail	1,649,892	24.99
	2,974,506	45.07

(iii) Save as disclosed herein since 4th November, 1978 no Director of the Company has, or has had, any interest in assets acquired, disposed of by or leased to the Company or any of its subsidiaries nor has any such Director any interest in assets proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries.

(iv) Save for the interest of Messrs. Brooks and Wilkinson in the acquisition of the properties from Burrows, no contract or arrangement subsists in which a director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries, taken as a whole.

(v) Mr. Brooks, Mr. Sail and Mr. Wilkinson are shareholders and directors of Burrows.

(vi) Mr. Elliot is an Associate Member with Montagu, Loebl, Stanley & Co., the Company's Stockbrokers, who are to receive a fee in connection with the placing.

(vii) Heatcraft Limited and Leaf Contracts (Derby) Limited are private companies in which the family interests of Mr. Brooks and Mr. Wilkinson each have respectively holdings amounting to 20 per cent. and 25 per cent. of the issued share capitals. These companies are tenants of four of the properties described in the report from Robert Clarke & Co. set out above.

6. Directors' Service Contracts

There are no existing or proposed service contracts between any Director or proposed Director of the Company and the Company or any of its subsidiaries which do not expire or are not determinable within 12 months by the employing company without payment of compensation (other than statutory compensation). The aggregate emoluments of the Directors of the Company during the year ended 30th September, 1980 was £11,000; the estimated aggregate emoluments of the *Directors of the Company during the current financial year* will not exceed £40,000.

7. Taxation

The Directors are advised that the Company is not a close company within the meaning of the *Income and Corporation Taxes Act 1970.*

8. Working Capital

The Directors are of the opinion that, taking into account the bank and other facilities available, *the Group has sufficient working capital for its present requirements.*

9. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the last two years and are or may be considered material:

(i) The Burrows Agreements.
(ii) The contract dated 17th October, 1980 between the Company, its Directors, Burrows and Montagu, Loebl, Stanley & Co. for the placing at par of 2,900,000 of the new Ordinary Shares allotted under the Burrows Agreements.

10. General

(i) So far as the Directors of the Company are aware, there is no material litigation or claim of material significance pending or threatened against the Company or any of its subsidiaries.

(ii) Save as disclosed herein, other than in the ordinary course of trade there has been no *material change in the financial position of the Company and its subsidiaries since* 31st March, 1980 the date to which the latest published audited consolidated accounts of the Group have been made up.

(iii) The expenses of the transaction mentioned in this document which are payable by the Company are estimated to amount to approximately £150,000, inclusive of V.A.T.

(iv) Robert Clarke & Co. and Price Waterhouse & Co. have given and have not withdrawn their written consents to the issue of this document with the inclusion of their opinions, valuations *or reports in the form and context in which they respectively appear.*

(v) A Certificate of Exemption under s.39 of the Companies Act, 1948 has been granted by the Council of The Stock Exchange in relation to the placing of 2,900,000 new Ordinary Shares of the Company.

11. Documents available for inspection

Copies of the following documents are available for inspection at the office of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA, during normal business hours *on any weekday (Saturdays and Bank Holidays only excepted) for a period of 14 days following* the date of this document:—

(a) The Memorandum and Articles of Association of the Company;
(b) The accounts of the Company for the two financial years ended 30th September, 1979 and the six months ended 31st March, 1980;
(c) The material contracts referred to in paragraph 9 above;
(d) The consents referred to in paragraph 10 (iv) above;
(e) The valuation of Robert Clarke & Co. and the report from Price, Waterhouse & Co. on the rental income from the properties acquired set out above; and
(f) The letter to the shareholders of the Company dated 17th October, 1980.

4th November, 1980.

WORLD STOCK MARKETS

Early Dow 10-point rally

THERE WAS a sharp recovery on Wall Street yesterday morning in relatively moderate trading, led by Oil, Defence, Computer and Precious Metal shares.

Analysts tied much of the gain to a rebound by the Oils. Canadian Prime Minister Trudeau said on Friday that Ottawa is willing to negotiate with Alberta on oil prices. Also, hopes for a Reagan presidential election victory today and the improved outlook for resolution of the hostage crisis was aiding sentiment, although many traders were on the sidelines.

The Dow Jones Industrial Average moved ahead 10.07 to 934.56 at 1 p.m., while the NYSE All Common Index rose 75 cents to $74.28 and advances led declines by a two-to-one margin. Volume contracted to 24.46m shares from the 29.79m recorded at 1 p.m. on Friday.

Recovery of the D-J Average obove 920 on Friday after closing about 917 on Thursday also encouraged market technicians, who view 920 as a major support level. The market ignored interest rate and inflation worries. Revisions on Friday in prior weeks' money supply data hightened fears of a Discount Rate increase and higher Prime Rates. However, analysts warned these factors may come into play again after today's election.

Bethlehem Steel put on ¼ to $26 ex-dividend, **U.S. Steel** ⅜ to $22⅜ and **Republic** ⅛ to !24½. Steel companies have been raising some prices in recent days.

THE AMERICAN SE Market Value Index put on 3.85 to 339.84 at 1 pm. Volume 3.89m shares.

Canada

An active recovery in the Oil and Gas sector pulled markets mainly higher in active early dealings yesterday. The Toronto Composite Index rose 14.3 to 2,254.5 at noon, while nine of 14 sub-indices advanced.. The Oil and Gas index regained 81.3 at 4,448.9, while Golds moved up 101.6 to 5,413.7.

Dome Petroleum picked up 1⅞ to C$69. The company has agreed to the development of a petrochemical complex in British Columbia with the Mitsubishi group of companies of Japan.

Hong Kong

An offer by **Jardine Matheson** to buy up to 110m **Hong Kong Land** shares at up to HK$30 apiece caused even more hectic trading conditions yesterday on the Hong Kong stock exchanges, with most prices moving further ahead.

Rumours that Cheung Kong chairman Li Ka Shing may mount a bid for Jardine Matheson sent shares sharply ahead last Friday and lifted the Hang Seng index 62.36. Yesterday, the index surged 58.63 more to register a new closing seven-year peak of 1,557.49. Combined turnover on the four exchanges swelled to HK$1,424.95m, far exceeding the previous record for a single day of HK$799.44m set on Friday.

Hong Kong Land soared to HK$29.50 in early trading, before ending HK$6.20 up on the day at HK$28.20. **Jardine Matheson**, however, after jumping HK$6.25 on Friday, closed HK$4.00 down at HK$32.50 after a newspaper printed in Chinese reported that Li Ka Shing would not be making a bid for Jardine.

The money released by investors taking up **Jardine's** offer for **Land** shares tended to flow into selected leading counters, such as **Cheung Kong**, which rose HK$1.75 to HK$34.00, **Hongkong Bank**, 60 cents higher at HK$21.40 and **Hutchison Whampoa**, up 90 cents at HK$16.50.

Elsewhere, **Sun Hung Kai Properties** added 60 cents at HK$18.40, **Tai Cheung** 15 cents at HK$5.40 and **Hang Lung** HK$1.20 at HK$24.20.

Germany

Share prices staged what some brokers called a surprising recovery in light trading, with all leading sectors posting gains. The Commerzbank index rallied 5.9 to 704.5.

Brokers said the price rises were apparently the result of bargain-hunting by institutional investors, running into a market where few operators were ready to sell low and realise the losses posted in recent weeks.

Deutsche Bank rose DM 4.70, **Brown Boveri**, in Electricals, DM 4.50, and **Mercedes** DM 3.50.

On the Domestic Bond market, however, Publi Authority Loans were still on offer, falling by as much as 70 pfennigs. The Bundesbank bought DM 60.4m nominal of paper, after net purchases on Friday of DM 44m. Mark Eurobonds were also lower.

Australia

After last Friday's strong per formance on record volume, trading was reduced but still active yesterday, although markets made a rather mixed showing, affected by profit-taking and a reduced presence of overseas investors.

Golds, especially, were hit by profit-taking following lower world Bullion price, with **Central Norseman** receding 40 cents to A$11.60, **Poseidon** 20 cents to A$7.30 and **Emperor** 10 cents to A$5.70.

However, there was a sudden burst of buying in companies connected with the Rabbit Warren gold exploration area. **Alan Bond** proposes to buy into the area, while **Amber Gold** has moved to take up its option over several lease areas. **Cliffminex** was up 65 cents at A$2.15 and **Amber** rose 65 cents to A$2.20.

Heavily-sought were **Cooper Basin Oil** issues, still attracting demand from foreign investors switching funds from Canadian Oils on being jolted by the Canadian Government's Budget plans for the energy industry. **Santos** gained 50 cents to A$17.20 and **Vamgas** 20 cents to A$8.00.

Elsewhere in Oils, however, **Hartogen** retreated 20 cents to A$6.50, while **Rundle** Oil shale stock **Central Pacific** relinquished 60 cents to A$10.40.

Overall market leader **BHP** put on 20 cents to A$17.00, while a bright exception in easier Banks was **ANZ**, up 10 cents at A$4.65 awaiting results.

Singapore

Selective demand spurred the market into a fresh advance in moderate activity, with the Singapore Straits Times Industrial index rising a further 14.23 to an all-time peak of 695.61.

Straits Trading climbed 2.20 to S$13.40 on speculation that the company's assets might be revalued.

Property issuers **Selangor Properties** rose S$1 to S$16, while **City Development**, which was a large land bank, put on 4 cents to S$3.74. There is speculation that the Government-controlled pension agency, The Central Provident Fund, may allow contributors to buy houses from private developers, a dealer said, adding that the board has put forward this proposal to the Ministry of Labour for aprpoval.

Johannesburg

Gold shares were narrowly mixed in nervous trading ahead of today's U.S. presidential election.

Mining Financials eased in places and Platinums declined, but Industrials were mixed to firmer.

Toyko

The market was closed yesterday for the Constitution Day holiday.

Closing prices for North America were not available for this edition.

NEW YORK

Stock	Oct. 31	Oct. 30
Colt Inds	45½	45½
Grainger (WW)	36¾	36¼
Merrill Lynch	32⅞	32½
Scherlng Plo	37¼	37⅛
Zenith Rad	19¼	18¾

CANADA

Stock	Oct. 31	Oct. 30
Abitibi	21⅞	22
Agnico Eagle	20⅛	20¼
Alcan Alumin	41	41⅛
Algoma Steel	38	38½
Asbestos	30⅛	30¾

BELGIUM (continued)

Nov. 3	Price Frs.	+ or —
Petrofina	5,470	+50
Royale Belge	4,900	—10
Soc Gen Banq	2,315	+30
Soc Gen Belge	1,116	+6
Sofina	3,000	+5
Solvay	2,415	—30

HOLLAND

Nov. 3	Price Fls.	+ or —
ACF Holding	72.7	+0.3
Ahold	67.8	......
AKZO	18.7	+0.1
ABN	294	+2
AMEV	93.7	+0.4
AMRO	62.2	+0.2

AUSTRALIA

Nov. 3	Price Aust. $	+ or —
ANZ Group	4.65	+0.10
Acrow Aust	1.05	......
Allstate Expl	2.45	+0.10
Ampol Pet	2.01	—0.01
Assoc. Pulp Pap	1.86	......
Audimco	0.27	—0.01
Aust. Cons. Ind.	2.10	—0.06

JAPAN (continued)

Oct. 31	Price Yen	+ or —
Kubota	360	......
Kumagai	397	......
Kyoto Ceramic	3,480	-100
Lion	410	+9
Meada Cons	535	+6
Makita	1,030	+30
Marubeni	395	—3
Marudai	598	—8

Indices

NEW YORK —DOW JONES

	Oct. 31	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 24	1980 High	1980 Low	Since C'mpil't'n High	Since C'mpil't'n Low
●Industr'ls	924.49	917.75	929.18	952.59	931.74	945.60	974.57 (22/9)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	65.66	65.35	66.08	68.03	68.21	68.61	76.61 (23/6)	63.87 (28/3)	—	—
Transport.	361.31	360.87	363.74	365.94	366.14	375.47	381.08 (22/10)	233.69 (27/3)	381.08 (22/10/80)	12.23 (8/7/32)
Utilities	110.59	110.70	111.43	111.85	112.01	112.74	115.88 (8/7)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	40,110	39,060	37,300	40,300	34,450	41,220	—	—	—	—

●Day's high 929.35 low 911.60

	Oct. 24	Oct. 17	Oct. 10	Year ago (approx
Ind. div. yield %	5.71	5.63	5.66	6.16

STANDARD AND POORS

	Oct. 31	Oct. 30	Oct. 29	Oct. 28	Oct 27	Oct. 24	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	145.18	143.72	145.64	145.80	145.60	147.82	152.64 (15/10)	111.09 (27/7)	152.64 (15/10/80)	3.52 (30/6/32)
§Composite	127.47	126.29	127.91	128.05	127.88	129.85	133.70 (15/10)	98.22 (13.2)	133.70 (15/10/80)	4.40 (1/6/32)

	Oct. 29	Oct. 22	Oct. 15	Year ago (approx
Ind. div. yield %	4.55	4.44	4.37	5.42
Ind. P/E Ratio	8.26	9.15	9.29	7.57
Long Gov. Bond Yield	12.25	11.80	11.41	10.28

N.Y.S.E. ALL COMMON

Oct. 31	Oct. 30	Oct. 29	Oct. 28	1980 High	1980 Low
73.53	72.85	73.80	75.34	77.34 (15/10)	55.30 (22/9)

Rises and Falls	Oct. 31	Oct. 30	Oct. 29
Issues Traded	1,913	1,902	1,888
Rises	900	365	671
Falls	647	1,165	788
Unchanged	366	372	429
New Highs	—	22	28
New Lows	—	14	11

MONTREAL

	Oct. 31	Oct. 30	Oct. 29	Oct. 28	1980 High	1980 Low
Industrial	369.07	365.94	385.74	395.22	423.80 (29/2)	325.21 (27/3)
Combined	350.18	347.21	362.86	368.32	378.96 (20/10)	286.50 (27/3)
TORONTO Composite	2240.2	2213.0	2301.4	2321.9	2556.3 (20/10)	1702.6 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
S. Juan Royalty	1,238,900	12¼	—
Gulf Oil	567,900	39¾xd	—
S'd Royalty WI	533,100	37	+4⅝
IBM	533,100	66⅞	+1½
Stauffer	483,200	18⅝xd	— ⅞
Mobil	481,000	74½	+ ⅞
Permcan WI	446,200	20⅝	+1
Sun Co.	401,000	46½	— ½
Duke Power	369,200	16⅝	—1
K Mart	339,700	19⅝	—

WORLD INDICES

	Nov. 3	Oct. 31	Oct. 30	Oct. 29	1980 High	1980 Low
AUSTRALIA Sydney All Ord. (1936/33)	1025.64	1026.73	1015.73	1005.52	1025.73 (31/10)	760.00 (2/1)
Metal & Minrls. (1936/33)	6956.37	6976.48	6876.73	6777.46	7025.52 (20/10)	4581.26 (28/3)
AUSTRIA Credit Aktien (2/1/62)	66.41	66.59	66.83	66.86	69.40 (7/1)	65.59 (19/8)
BELGIUM Belgian SE (31/12/63)	90.16	88.51	89.96	90.55	105.75 (11.2)	85.93 (21/10)
DENMARK Copenhagen SE (1/1/73)	97.97	97.27	96.38	96.61	97.97 (3/11)	74.78 (5/3)
FRANCE CAC General (29/12/61)	118.9	118.2	118.5	117.3	118.9 (3/11)	97.1 (3.1)
Ind Tendance (28/12/79)	119.6	118.4	119.3	118.8	119.6 (3/11)	95.6 (5/1)
GERMANY FAZ-Aktien (31/12/58)	226.55	224.74	228.08	226.84	238.89 (25/2)	212.73 (28/3)
Commerzbank(Dec.1953	704.5	698.60	703.2	705.1	749.2 (25/2)	667.0 (27/3)
HOLLAND ANP-CBS General (1970)	86.8	86.4	86.4	86.0	88.0 (25/7)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.4	64.6	64.1	63.9	68.2 (11/1)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	1557.49	1498.86	1436.50	1451.38	1557.49 (3/11)	738.9 (18/3)
ITALY Banca Comm. Ital (1972)	183.88	183.53	180.12	174.45	183.88 (3/11)	83.11 (2/1)
JAPAN Dow Average (16/5/49)	(c)	7150.75	7124.78	7113.63	7176.33 (20/10)	6475.93 (27/3)
Tokyo New SE (4/1/68)	(c)	496.05	494.69	493.54	497.96 (20/10)	449.01 (10/3)
NORWAY Oslo SE (1/1/72)	123.80	123.6	124.24	124.42	144.70 (14/2)	110.12 (28/3)
SINGAPORE Straits Times (1966)	695.61	681.38	663.79	661.87	695.61 (3/11)	428.75 (3/1)
SOUTH AFRICA Gold (1958)	(u)	—	954.9	934.9	1026.1 (22/9)	849.6 (2/7)
Industrial (1958)	(u)	—	652.5	650.6	652.3 (30/10)	456.0 (2/1)
SPAIN Madrid SE (29/12/78)	(c)	109.11	109.23	108.67	111.17 (18/9)	93.76 (13/6)
SWEDEN Jacobson & P. (1/1/58)	386.67	387.0	382.69	377.67	387.8 (31/10)	334.72 (17/1)
SWITZERLAND Swiss BankCpn.(31/12/58)	309.4	307.0	305.5	304.0	317.9 (11.2)	276.0 (28/3)
WORLD Capital Intl. (1/1/70)	—	157.1	156.8	157.5	161.0 (15/10)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

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COMMODITIES AND AGRICULTURE

Sugar award disappoints UK farmers

By Our Commodities Staff

AN ARBITRATOR'S decision on the amount the British Sugar Corporation (BSC), monopoly buyer of UK sugar beet, should pay to producers failed to satisfy farmers yesterday.

Talks between BSC and the National Farmers' Union (NFU) on this year's price broke down in September and the dispute was referred by agricultural ministers to Professor Dennis Britton, professor of agricultural economics at Wye College, London, for arbitration.

Prof. Britton's decision, published yesterday, was described as "very fair" by Mr. John Beckett, chief executive of BSC, but Mr. David Morbey, chairman of the NFU's sugar beet committee, said it fell well short of covering growers' increased *costs and restoring profit* margins.

BSC estimated farmers would receive between £24.49 and £24.78 a tonne under the award compared with an average of £23.90 last year. The lower *figure assumes the EEC will dis*continue the "regional premium" paid to growers in countries which are not self-sufficient in sugar while the higher one assumes the premium will continue.

Mr. Morbey said the award was materially better than had been *offered by the BSC*, justifying the reference of the dispute to the Ministry, but he thought it failed to compensate producers' adequately for increased costs.

It is based on a complicated *formula in which the basic EEC* price is supplemented with an allowance for the by-product value of beet pulp, a profit-sharing figure, and a stock appreciation premium. There is also provision for compensa*tion for unexpectedly low* market prices and for discontinuance of the regional premium. The transport allowance in the award is the same as that agreed between the NFU and the BSC.

● In Paris the Sugar Market Intervention and Regularisation *Fund* (FIRS) said *the EEC's* exportable surplus of sugar in 1980/81 is likely to be around 4.48m tonnes (white value), reports Reuter.

FIRS estimated EEC production at 12.07m tonnes, stocks on *October 1, 1980 at 2.1m tonnes* and imports from ACP (African, Caribbean and Pacific) and other countries at 1.24m tonnes. It forecast

EEC plans storage aid for unwanted veal

BY LARRY KLINGER IN BRUSSELS

THE EUROPEAN Commission plans to grant aid for the storage of veal following the drop in market prices caused by boycotts by European consumers worried about the possible health danger of hormone residues in the meat.

EEC farm ministers are likely to consider at their regular *monthly meeting next week a* Commission plan toban the ad*ministration of all hormones to* farm animals grown for human consumption.

Consumer protection organisa*tions have long claimed that* hormone residues in food are a danger to human healt. Hormones are administeredh to increase te animal's weight while saving on feed costs.

The Commission announced yesterday that it plans to offer aid for the private storage from November 5 of veal fo ra period ranging from three to five months. This aid is likely to be set at 570 European currency units per tonne (about £353) *for three months, rising to 650* (about £402) for the longer period.

The meat would remain the property of the private owner, and, therefore, for farmers or traders to take up the offer for subsidised storage might be a matter of considerable risk.

In its proposals for a ban, the Commission also calls for con*fiscating* and destroying any animals and meat to which hormones have been adminis*tered.* It is unclear what pro*visions could be made for meat* already containing induced hormones before a ban became effective.

Market prices have dropped markedly in some countries following the boycotts in France, *Italy and Belgium*, although they have recovered somewhat recently. EEC figures *show that* the Community's average market price in mid-September was 182 European currency units per *100 kilos* (about £294) but only *171* (about *£276*) at the end of last week.

● *A suspension of intervention* buying of beef forequarters has also been proposed by the Commission from this November 10 to next March 1 as part of its programme to stay within EEC budget limits this year and projections for 1981.

The Commission said last month that the Common Agriculture Policy was in danger of running out of funds unless "severe restraints" were im*posed. The Commission says* that this year's budget allowed *for the estimated buying-up and* storing of 360,000 tonnes of forequarter meat but that, if the current rate were maintained, it would need to apply intervention to between 400,000 and 450,000 tonnes.

Officials maintain that historical trends indicate that *even with a suspension* the market price should remain sufficiently strong. However, to help support the market price, the Commission proposes not to complete with fresh meat by selling stocks already in *storage.*

Aluminium strike avoided

BY JOHN EDWARD, COMMODITIES EDITOR

ALCAN CONFIRMED yesterday that a strike at its gian Kitimat smelter in British Colombia had been avoided. It has reached agreement on the terms of a new 30-month contract with *union representatives, who will* recommend acceptance to the 1,850 workers involved.

There was little reaction on the London Metal Exchange aluminium futures market to the settlement since it had been largely anticipated. Also expected was the rise in LME *warehouse stocks of 2,575 tonnes* taking total holdings to a record level of 44,700 tonnes. In spite of the surplus of supplies that has forced LME aluminium values down to a 14-month low, underlying sentiment remains *optimistic.*

Aluiminium producers appear *confident that demand will start* to recover soon bringing a sharp *upturn in values.* It is pointed out that the dollar price equivalent of aluminium has not shown such a significant decline as the sterling quotations on the Metal Exchange, and world trade in aluminium is absed on dollar prices.

There is less optimism in the tin market. Cash tin dropped by £25 yesterday to al 4-month *low of £6,660 a tonne.* This was considered to be a steady performance, in view of the rise in the value of sterling, and reflected the resistance to lower prices shown on the Penang market over the week*end.*

But the threat of increased U.S. *stockpile tin sales* under the new selling system to be adopted remains a depressing influence, coming at a time when production is already estimated to be running above demand. LME warehouse stocks showed *only a marginal change—falling* by five tonnes to a total of *4,105 tonnes.*

Copper stocks rose by 475 tonnes to a total of 124,975 tonnes. Market prices, however, held firm in quiet trading conditions in spite of the rise in sterling. Cash wirebars closed £1.5 up at £833.5 a tonne. The market also shrugged off news that U.S. copper producer, Anaconda is hopeful of settling *soon the strike started by its* workers on July 1. Another big producer, Asarco, is due to resume talks on Wednesday, so it looks as if the long drawn out stoppage is finally nearing an end.

U.S. copper producers are all confident that prices will rise next year. The latest forecast from Charles F. Barber, Asarco *chairman*, was that the U.S. price could be over $1 a pound next year and rise to between $1.25 and $1.50 by 1983. Mr. Barber claimed that hte supply situation in the copper market will probably remain tight during the next five years.

Other LME warehouse stock *changes announced yesterday:* Lead stocks fell by 1,450 to 78,500 tonnes and nickel by 96 to 4,602 tonnes. Zinc stocks rose by 1,725 to 68,250 tonnes and LME silver holdings by 40,000 to 27,300,000 ounces.

Consumers divided on cocoa quotas

GENEVA — Cocoa consuming nations are divided over a producer demand for export quotas under a new international agreement, delegates at a United Nations cocoa conference said.

Attitudes range from firm U.S. opposition to Canadian *support, one Western delegate* said. He said Japan rejected quotas in principle.

The producer and consumer *groups met separately as the* conference entered its second week without either side filing specific price proposals.

But the consumers were expected to press at a working group of both sides for producer acceptance of the principle of semi-automatic price adjustment.

Supplier nations have *resisted the idea so far on the* grounds that it would spell steadily falling revenue in a weak market as at present.

In formal contacts the producers have referred to their previous demands for a 120c a *pound lower intervention* price. "But this is of course not on," the western delegate said.

On the London futures market meanwhile the decline in world cocoa values con*tinued taking nearby values* to new 4½-year lows. The March quotation ended the day £17 down at £960.5 a tonne after falling to £957 at one time.

Reuter

New Zealand wool deal with China

WELLINGTON — The New Zealand Wool Board said it has negotiated a NZ$20m deal with China under which *one of China's largest cotton* mills has agreed to buy at least 850 tonnes of scoured wool a year for the next seven years.

The Board said the Chinese commitment represents a significant increase in New Zealand's exports of scoured wool to China, since total China purchases of scoured wool in the past 10 years were less than 300 tonnes.

Reuter

U.S. PRESIDENTIAL ELECTION

Winning the farm vote

BY NANCY DUNNE IN WASHINGTON

U.S. FARM income, production and consumption this year have topped any previous record of any period of history. Agricultural exports in dollars and *volume have netted* record increases during the *present Administration* with an $8bn increase this year. Although President Carter has limited sales of grain to the Soviet Union, his Administration recently concluded an agreement to sell 6-8m tonnes of grain to China over the next four years.

Yet, if President Carter wins one farm state today it could *be the biggest surprise of this* election.

It is not any love for Governor Reagan which was expected to give him a victory in the farm states as much as the President's unpopularity *this year. In April 1977, an Iowa* poll showed 85 per cent of that state's farmers gave Mr. Carter a favourable rating. However, the embargo and inflation has changed all that.

"Carter said he would not impose an embargo, but he did," says an agriculture department *employee.* "There is a great residue of bitterness among farmers."

The President's opponent, Ronald Reagan, has supported previous farm embargoes, suggested others (Nigeria in 1979), *and initially favoured the President's* special grain ban to the Soviet Union. But he has since campaigned hard against it.

He has told his farm audiences that they have been unfairly singled out to bear the brunt of a policy which is not working anyway.

"It was grandstanding for the American people at your expense," he said.

Although they would appear to differ on the embargo, Governor Reagan's advisors have *backed away from a clear com*mitment to end it. Answering written questions from the Wheat Grower magazine, they said: "Governor Reagan will, when elected, fully assess our national security, foreign policy *and agriculture trade needs to* determine how best to terminate the inequitable and ineffective embargo imposed by the Carter Administration, and whether or not to renegotiate a grain agreement with the USSR."

Secretary Bergland insisted *as recently* as two weeks ago that the President would retain the embargo until the Soviet occupation of Afghanistan ends.

Also unpopular with *farmers* is the President's appointment *of many consumer-oriented* officials to the Department of Agriculture. Many farmers consider the structure of the farmer-held grain reserves to be a "cheap food policy" because it is designed to place both a "floor" and a "ceiling" on grain prices.

Governor Reagan has promised to rid the department of its consumer "activists." The President, in turn, has attacked, "the Republican policy of recruiting from the boardrooms of large agribusiness corporations, from large banks and commodity exchanges."

Reagan has promised not to end farm price supports; to review regulatory programmes and trim unnecessary ones; to *establish a revolving fund for* export financing, to attempt to end the federal inheritance pact on farms, and to make full use of the Food For Peace programme.

A Carter Administration would *continue the present* grain reserve programme, and Secretary Bergland would once again press for the establishment of an international grain reserve.

EEC butter-oil subsidy raised

BY LARRY KLINGER IN BRUSSELS

THE ANNOUNCEMENT yesterday by the European Commission that it will reopen the way for butter-oil exports made clear that the Commission has become increasingly aware of the intra-EEC pressure for a closer monitoring of commodity sales to the Soviet Union.

The row over what are "traditional levels" of exports *to* Russia will come to a head on *Thursday, when* the EEC's cereals management committee will again take up the issu eof how to monitor exports of grain-based animal feedstocks to Russia.

The European Community is committed to limit grain exports to the Soviet Union to tradi*tional, or historical, levels in* order not to undermine the U.S. embargo imposed at the first of the year after the Russian invasion of Afghanistan.

Meanwhile, yesterday's announcement that possible butter-oil sales would be reopened from January 1—by increasing the current export subsidy of between 92 and 121 European currency units to between 160 and 207 (about £99 *and £128)—made clear* that the eventual destination would figure large in the consideration of whether to grant an export licence.

Moreover, the Commission said that only 85 per cent of the *export rebate would be paid* with the granting of a licence. *The remaining* 15 per cent would be withheld until acceptable documentation was provided that the produce reached its declared destination.

A Commission decision a fortnight ago to renew butter sales under *similar arrangements to* areas including the Soviet Union, drew stiff protests from British and West German officials. They said that any sales of subsidised produce to Russia at this time would be "repugnant" to their countries.

Since then it has become known, that 500,000 tonnes of feedstocks, containing a grain content of possibly 30 per cent and attracting an export subsidy estimated around £10m, were bound for the Soviet Union.

The Commission decided at the weekend to extend for a *further week its suspension of* subsidies for any new exports of grain-based processed feedstocks. However, the move was only a stop-gap measure, following the management committee's failure to agree at its late-night session last Thursday on a system to control the export of *these products to the Soviet* Union.

While the *Commission* is powerless to prevent the approved sales from going through, its subsidy suspension has the effect of making further exports prohibitively unprofitable.

BRITISH COMMODITY PRICES

BASE METALS

COPPER—Marginally firmer on balance on the London Metal Exchange. After opening at £862 forward metal moved up to £867 on the pre-market as light fresh buying found the market devoid of sellers. However, in the rings the rise in sterling coupled with *profit-taking pared the price* to below £860. During the afternoon fresh support developed, following the rise *in gold, and three months* gained ground to touch £868 before closing the late kerb at £867. Turnover 13,800 *tonnes.*

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	829-.5	-8.75	833-4	+1.5
3 months	859.5-60	-8.75	865-6	+4.5
Settlem't	829.5	-10	—	
Cathodes				
Cash	802-4	-15½	806-8	+2
3 months	833.4	-9	838-9	+2.5
Settlem't	804	-12.5		...
U.S. Prod.			*33.5-102	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £829, 28.5, 29, three months £865, 64.5, 64, 63.5, 62, 61, 60.5, 60, 59.5, 60. Cathodes, cash £801, three months £832. Kerb: Wirebars, three months £860, 59, 60, 61. Afternoon: Wirebars, three months £864, 64.5, 65, 65.5. Cathodes, three months £838. Kerb: Wirebars, three months £865, 65.5, 66, 65, 66, 66.5, 67, 68, 67, 66.5.

TIN—Easier in quiet trading. Forward *metal rise to £6,750 on the early pre-*market reflecting the continued closing of bear positions. *However, the market fell away thereafter as profit-taking* and stop-loss selling depressed three months to a low £6,630 on the late *kerb. Turnover 1,415 tonnes.*

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6690-710	+7.5	6650-70	-25
3 months	6730-40	-17.5	6710-5	-35
Settlem't	6710	+15	—	.....
Standard				
Cash	6670-80	-17.5	6650-70	-25
3 months	6730-5	-20	6710-5	-35
Settlem't	6680	-15	—	.....
Straits. E.	$2052	-3	—	.....
New York	—	.....		

Morning: Standard, three months £6,740, 30, 35. Kerb: Standard, three months £6,730, 20. Afternoon: Standard, three months £6,680, 90, 85, 90, 80.

LEAD—Lower in subdued trading as lack of interest caused three months to drift from £353 on the early pre-market to the day's low of £348 prior to a close on the late kerb of £349.5. Turnover 7,900 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	333.5-4	-1.75	335-6	-5
3 months	348-.5	-2.5	349.50	-5.25
S'ment	334	-2	—	.....
U.S. Spot	—	.....	*42-45	.....

Morning: Cash £334, 33, 33.5. Three months £351, 50, 49.5, 48.5, 48, 48.5. Kerb: Three months £349, 48.5. Afternoon: Three months £349, 50, 51, 51.5, 51, 50.5, 50. Kerb: Three months £350, 49.5.

ZINC—Barely changed in idle trading *with forward metal trading in a narrow* range prior to ending the day at £340. Turnover 12,850 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficl'	+ or —
	£	£	£	£
Cash	325.5-6	-1	328.5-9	+1
3 months	337-.5	-1.25	339-5.40	+1.25
S'ment	326	-1	—	.....
Primw'ts	—	.....	*37.5-37.75	—

Morning: Cash £326, three months £338, 37.5. Kerb: Three months £337.5, 38. Afternoon: Cash £328, 27.5, 28, 28.5, three months £339, 38.5, 39, 39.5. Kerb: Cash £329, three months £338.5, 40.

ALUMINIUM—Little changed. After an initial rise to £677, reflecting bullish weekend Press comment forward metal *fell back on short selling* which triggered stop-loss selling to close the late kerb at £668. Turnover 4,750 *tonnes.*

Alumin'm	a.m. Official	† + or —	p.m. Unofficl'l	† + or —
	£	£	£	£
Spot	643.4	+2	648.3	-1
3 months	669-70	-.5	667.5-8	-2.5

Morning: Cash £643, three months £675, 73, 70. Kerb: Three months £669. Afternoon: Three months £670, 69, 68, 67.5, 68. Kerb: Three months £668, 67.5, 68.

NICKEL—Barely changed with forward metal trading in a £10 range prior to closing the late kerb at *£2,717.5. Turnover 246 tonnes.*

NICKEL	a.m. Official	+ or —	p.m. Unofficl'l	+ or —
Spot	2681-90	-27	2692-5	+3.5
3 months	2716-20	-29.5	2720-2	-6.5

Morning: Three months £2,725, 20. Afternoon: Three months £2,720, 22. Kerb: Three months £2,725, 20, 18.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

COMPANY NOTICE

LATEC INVESTMENTS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th *Annual General Meeting* of Shareholders of Latec Investments Limited will be held at The Theatre, Basement Level 1, Exchange Centre, 20 Bond Street, Sydney, on Friday, 5th *December*, 1980 at 10.30 a.m.

Special business to be dealt with at the meeting is as follows:

To consider and, if thought fit, to pass, with or without modification, the following resolutions as Special Resolutions:—

(a) "That the capital of the Company be increased from eight *million dollars* ($8,000,000) to twenty million dollars ($20,000,000) by the creation of sixty million (60,000,000) ordinary shares of twenty cents (20c) each."

(b) "That 11,886,670 ordinary shares to the nominal value of twenty cents (20c) *each in the* capital of the Company which have been issued and are fully paid up be and are hereby converted into 11,886,670 stock units of *nominal value of twenty cents* (20c) each totalling $2,377,344."

(c) "That Article 51 (1) of the Company's Articles of Association be amended by adding after the word 'convert' in the second line thereof the words 'or make provision for the conversion of.'"

(d) "That the 68,113,330 unissued shares of twenty cents (20c) each in the capital of the Company shall as and when issued and *become* fully paid up be converted into and thenceforth become 68,113,330 stock units of a nominal value of twenty cents (20c) each totalling $13,622,666."

By Order of the Board.

J. A. ANDERSON, Secretary.

Dated at Sydney this 17th day of October, 1980.

SILVER

Silver was fixed 3.9p an ounce lower for spot delivery in the London bullion market yesterday at 770p. U.S. equivalets of the fixing levels were: spot $18.83, down 4.5c; three-month $19.537, down 3.3c; six-month $20.216, down 5c; and 12-month $21.665, down 1c. The *metal opened* at 772-780p ($18.75-18.95) and closed at 786-794p ($19.20-19.40).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficl'l	+ or —
Spot	770.00p	-3.9	791p	+15
3 months	802.00p	-2.9	833.5p	+14.5
6 months	830.00p	-2.7	—	...
12months	891.00p	-2.5	—	.....

LME—Turnover 97 (78) lots of 10,000 ozs. Morning: Cash untraded. Hhree months 806, 5, 3, 4. Kerb. Untraded. Afternoon: Cash untraded. Three months 820, 21, 23. Kerb. Three months 824, 25, 26, 27, 26, 28.

COCOA

Cocoa futures eased gradually throughout the day back to the life-of-contract lows on combined trade and commission house selling. Bearish sentiment was reaffirmed after the recent small rally of last week had found a lack of follow-through: producers remained withdrawn and only scattered offtake was found among consumers, who proved to be reserved scale-down buyers, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
Dec.	922-923	-18.5	949-923
March	960-961	-17.0	986-957
May	979-980	-19.0	1005-979
July	990-995	-24.5	1023-995
Sept.	1010-14	-17.5	1035-15
Dec.	1028-30	-20	1055-30
March	1044-53	-25	1068-55

Sales: 3,097 (3,771) lots of 10 tonnes.

ICO Futures. Daily price for Oct. 31 103.18 (100.95): 10-day average 103.61 *(104.42): 15-day average 104.21* (103.65).

COFFEE

Until the last minute of trading, *opening call was destined to register* a single figure volume, but late dealing saw a final 25 lots totalled, reports *Drexel Burnham Lambert. Future deal*ings were also very scarce and at the finish of a very thin session, volume *was only 343 lots.* The afternoon restarted in similar fashion but prices began to ease against New York and a better sterling, to record mid-session losses of £10 on near positions. With an estimated large quantity of *forthcoming tenders*, spot November came under more pressure and values eased to new contract lows.

COFFEE	yesterday's Close £ per tonne	+ or —	Business Done
Nov.	1008-10	-22.5	1026-10
January	1039-41	-23.5	1065-39
March	1020-21	-15.5	1037-20
May	1021-24	-16.5	1036-20
July	1027-31	-16.5	1047-30
Sept	1030-35	-17	1050-45
Nov.	1035-40	-15	—

Sales: 2,278 (2,189) lots of 5 tonnes.

ICO Indicator prices for October 31 (U.S. cents per pound). Other Mild Arabicas 125.67 (124.00). Robustas ICA 1976 124.50 (same). ICA 1968 124.75 (same). Unwashed Arabicas 208.50 (same). Comp. daily ICA 1968 156.20 (156.25).

GRAINS

LONDON GRAIN FUTURES—Old crops opened 20 up. Wheat saw good buying interest from commercial and *shipper sources to trade 40p higher* where selling pressure eased values back to unchanged at lunch; values picked up on further shipper buying to close steady, 10p higher on the day. Barley saw less volume and, despite some initial buying interest, eased back on selling pressure to close 20p down. New crops saw little trade and closed 5p down on wheat, 25p down on barley, reports Acli.

M'nth	WHEAT Yesterday close	+ or —	BARLEY Yesterday close	+ or —
Nov.	98.65	-0.10	92.50	-0.20
Jan.	102.85	+0.10	96.90	-0.20
Mar.	106.75	+0.10	100.85	-0.20
May.	110.70	+0.10	104.65	-0.15
July	114.75	+0.10	—	—
Sept.	99.45	-0.05	94.75	-0.2

Business done—Wheat: Nov. 99.15-98.55, Jan. 103.05-102.65, March 107.05-*106.60, May 111.05-110.60, July 115.05-*114.50, Sept. no trade. Sales: 453 lots of 100 tonnes. Barley: Nov. 92.95-92.50, Jan. 97.40-96.85, March 101.35-100.80, May 105.10-104.60, Sept 94.75-94.75. Sales. 181 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent: Nov. 104.00, Dec. 105.75 transhipment East Coast, sellers. U.S. Hard Winter 13½ per cent: Dec. 103.25, Jan 103.50, transhipment East Coast, sellers. Maize: S. African Yellow: Nov./Dec. 86.50, seller. Rest unquoted.

HGCA—*Locational ex-farm* spot prices. Feed barley: Eastern 91.40, E. Midlands 92.50, N. East 91.00. Feed *wheat: Eastern 97.00, E. Midlands* 96.90, Scotland 95.00. Other milling wheat: Eastern 100.00, E. Midlands 100.70.

RUBBER

The London physical market opened slightly easier, with little interest throughout the day, closing on a dull note. Lewis and Peat reported a fob November price for No. 1 RSS in Kuala Lumpur of 299.5 (301.5) cents a kilo and SMR at 246 (245.5).

No. 1 R.S.S.	Yest'day Close	Previous Close	Business Done
Dec	61.90-62.20	62.50-62.50	62.20-62.00
Jan.	62.70-63.10	63.50-63.60	—
Jan-Mar	64.10-64.50	64.50-64.60	64.60-63.90
Apr-Jne	68.00-68.10	68.20-68.30	68.40-67.80
Jly-Sept	71.10-71.20	71.50-71.60	71.80-71.00
Oct-Dec	74.00-74.10	74.40-74.50	74.20-74.00
Jan-Mar	76.80-76.90	77.30-77.40	76.90
Apl-Jne.	79.60-79.70	80.20-80.50	79.70
Jly-Sept	82.50-82.60	82.90-83.20	—

Sales: 224 (412) at 15 tonnes, 32 (2) at 5 tonnes. Physical closing prices (buyer) were: Spot 60.50p (60.75p); Dec 62.25p (62.50p), Jan. 63.25p *(63.50p)*.

SOYABEAN MEAL

The London market opened with gains of 50p but ran into trade selling, *and prices drifted, reports T. G.* Roddick. During the afternoon, the market saw fresh commission house *buying and prices finished on a firm* tone with gains of up to £2.

	Yest'rday Close £ per tonne	+ or —	Business Done
December	148.00-48.5	+0.70	148.00-47.00
February	153.50-53.7	+1.30	153.60-51.50
April	158.50-58.6	+2.25	156.60-53.50
June	155.50-56.0	+2.45	155.50-55.00
August	154.00-55.0	+2.25	—
October	138.80-37.2	+1.35	—
December	132.00-37.0	+1.0	—

Sales: 224 (375) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £390.00 (same) a tonne cif for Oct.-Nov.-Dec. shipments. White sugar *daily price was £385.00 (£387.00).*

No. 4 Contract	Yest'rdays Close £ per tonne	Previous Close	Business Done
Jan	412.00-13.00	412.00-13.00	414.00-13.00
Mch	420.06-20.50	421.26-21.40	427.00-16.50
May	419.85-20.00	419.60-20.00	425.00-16.50
Aug	398.75-99.50	398.25-98.50	402.50-96.00
Oct	366.25-66.75	366.50-67.00	370.00-64.00
Jan	353.75-54.00	357.00-58.00	356.50-53.50
March	325.00-25.50	327.00-26.06	326.00-25.00

Sales: 9,098 (11,533) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade *and £490.50 (£493.50) for export.*

International Sugar Agreement (U.S. cents per pound, fob and stowed *Caribbean port). Prices for Oct. 31.* Daily price 41.27 (39.87). 15-day average 40.76 (40.81).

Initial trades were some *£2 below* pre-weekend levels but later reports that Poland would have to import 400,000 tons stimulated short-covering. Gains of up to £6 were recorded before *heavier offerings blunted the advance.* Later prices eased under scattered day-trade profit-taking and most of the *gains were erased by the close, reports* C. Czarnikow.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 128 tonnes. Fair general enquiries were maintained but some buyers were reluctant to put down further business. Operations were mainly in Middle Eastern growths.

JUTE

JUTE—Nov./Dec. c and f Dundee: BWC £227, BWD £185, BTB £260, BTC £228, BTD £186. Antwerp, Nov./Dec.: BWC $545, BWB $445, BTB $630, BTC $548, BTD $445. Jute Goods c and f *Dundee: Nov., 40 in.* 10 oz £10.68, 40 in. 7.5 oz £8.38. "B" Twills £30.93.

PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 3 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1595/1625	....	$1600/30
Copper			
Cash w'bar	£833.5	+1.5	£850.5
3 mths	£865.5	+4.5	£878.25
Cash Cathode	£807	+1	£822.75
3 mths	£838.5	+2.5	£853
Gold troy oz	$647.5	+18	$678.5
Lead Cash	£335.5	-5	£359
3 mths	£349.5	-5.25	£373.75
Nickel	£3,115	-73	£3,168
Freemkt	285/310c	....	290/315c
Platin'mtr'y oz	£202	....	£202
Free mkt	£266.90	+1.80	£288.05
Quicksilver†	$405/415	....	$415/425
Silver troy oz	770.00p	-3.9	856.05p
3 mths	802.00p	-2.9	887.70p
Tin Cash	£6,760	-25	£7,015
3 mths	£6,712.5	-35	£7,062.5
Tungsten 22.04lb	$148.31	....	$146.42
Wolfrm 22.04 lbs	$147/150	+5.5	$148/152
Zinc cash	£328.75	+1	£355.75
3 months	£339.75	+1.25	£347
Producers	$823	....	$760
Oils			
Coconut (Phil)	$625r	....	$560
Groundnut	‡	....	‡
Linseed Crude	£597r	....	£388
Palm Malayan	$557.5r	....	$495
Seeds			
Copra Philip	$366.50r	....	$360
Soyabean (U.S.)	$366.5r	....	$327.50
Grains			
Barley Futures	£96.90	-0.20	£97.05
Maize			
French No3AM	‡	....	‡
Wheat			
No.1 Red Spg.	‡	....	‡
No2HardWint	‡	....	£99.60
Eng. Milling†	‡	....	‡
Other commodities			
Cocoa ship't	£1006	-17	£1,063
Future Mar.	£960.5	-17	£1,023.5
CoffeeF't Jan.	£1,040	-23.5	£1,061.5
Cotton A,Index	98.85c	-0.10	98.80c
Rubber kilo	60.50p	-0.25	62.00p
Sugar (Raw)	£390	.....	£390
Woolt'ps 64s kl	287p kilo	....	282p kilo

‡ Unquoted. y-Dec.-Jan. x-Dec. r Nov.-Dec. v Nov. w Oct.-Nov. z Indicator. § Buyer. † Per 76 lb flask. * Nominal. *t Jan.*

TEA AUCTION

LONDON TEA AUCTION — 49,880 packages were offered at yesterday's auction. Bright Assams were often *dearer, with mediums very irregular;* Africans were firm to dearer, and clean Mozambiques strong, with bright *Ceylons dearer*, mediums firm, and plain barely steady. Quotations. Quality 140p per kilo (140p). Medium 102p per kilo (102p); Plain 60p per kilo (55p).

POTATOES

LONDON POTATO FUTURES—The market opened *easier, but attracted* fresh buying at lower levels, and with the Dutch market firm, prices continued *to rise before dropping slightly off the* highs at the close, reports Coley and Harper. Closing prices: Nov. 42.60 +30 (high 42.00, one trade); Feb. 57.40 +20 (high 57.50, low 56.40); April 67.60 +60 (high 67.80, low 66.50). Total traded: 70 (57) lots of 40 tonnes.

WOOL FUTURES

BRADFORD WOOL — Persistent, if *limited strength, in merino wool values,* and the fact this is continuing without much assistance from the Australian *Wool Corporation has increased trade* confidence. Business activity is slack, despite a slightly firmer tone. But dealers said there were indications that prices in the latter half of the season would be steady to firm.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Dec. 357, 366, nil, nil. Jan. 357, 369, nil, nil; March 367, 371, 367, 4; May 370, 375, 372, 6; Aug. 373, 378, 375, 2; Oct. 380, 383, 382-381, 3; Dec. 380, 385, 384-383, 4; Jan. 380, 385, 384-380, 7; March 382, 386, 383, 6; May 384, 389, nil, nil. Sales: 31.

AMERICAN MARKETS

PRECIOUS METALS experienced a major rally on shortcovering and fresh buying related to the delay in the hostage release. Copper finished moderately higher on light trade buying. Cotton and the livestock complex rallied with the grains. Oil and soyabeans advanced on reports of Poland's inquiry for 100,000 tons of soyabean oil. Heavy deliveries and selling in London sharply depressed the coffee market. Good selling by Brazil put the cocoa market on the defensive. Sugar exploded on the upside, responding to a private crop estimate further lowering this year's anticipated output, reported Heinold.

NEW YORK, November 3.

Potatoes (round whites)—Nov. 87.6 (87.4). March 124.4 (123.0), April 149.6. Sales: 1,703.

Tin—749.0-754.0 (753.0-758.0).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen.

CHICAGO, November 3.

Chicago Imm Gold—Nov. 646.0 (635.0), Dec. 653.7 (641.0), Jan. 663.0, March 681.5, April 690.5, June 710.0, July 719.0, Sept. 739.0, Oct. 748.3.

Lard—Chicago loose 23.25 (23.00).

Live Cattle—Dec. 69.77 (69.22), Jan. 71.22 (70.40), Feb. 72.00, April 73.75, June 74.82, Aug. 74.45, Oct. 73.70, Dec. 74.50.

Live Hogs—Dec. 50.60 (49.92), Feb. 54.95 (54.27), April 55.00, June 58.30, July 59.35, Aug. 57.60, Oct. 56.30, Dec. 57.20, Feb. —.

‡‡Maize—Dec. 377½ (373½). March 386¾ (383¼), May 389¾-388, July 386-385½, Sept. 371½-372, Dec. 352½-352¼.

Pork Bellies—Feb. 71.12 (69.70), March 71.35 (69.80), May 72.65, July 74.80, Aug. 73.90.

†Soyabeans—Nov 914-915 (896), Jan. 943-945 (923), March 972-971, May 991-989, July 994-995, Aug. 982, Sept. 879-878, Nov. 832½-834.

†Wheat—Dec. 533½-533 (528¾), March 554½-554 (549¾), May 558-559, July 537-538½, Sept. 544, Dec. 555½.

WINNIPEG, November 3

Dec. 146.30 (145.50), March 149.50 (148.60), May 150.30, July 150.30.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy *ounce. ¶ Cents per troy ounce.* ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton *(2,000 lbs). § $Can. per metric ton.* §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, November 3

Wheat—U.S. Two Dark Hard Winter *13.5 per cent Nov. $228, Dec. $229,* Jan. $238, Feb. $241, March $243. U.S. No. Two Red Winter: Oct. $224, Nov. *$223, Dec. $228. U.S. No. Two Northern* Spring 14 per cent: Oct. $224, Nov. $224, Dec. $227.50, Jan. $243.50, Feb. *$248, March $252, April/May $236.*

Maize—U.S. No. Three Corn Yellow: Afloat $169, Nov. $169, Dec. $172.50, Jan./March $182.25, April/June $185, July/Sept. $181, Oct./Dec. $179.

Soyabeans—U.S. Two Yellow Gulfports Nov. $360.50, Dec $365, Jan. $375.25, Feb. $380.50, March $384.75, *April $389, May $390.50, June $392.50,* July $393, Aug. $390, Sept. $384, Oct. $333, Nov. 332.50, Dec. 338 sellers.

Soyameal—44 per cent protein U.S. afloat $336, Nov. $338, Dec. $342, Jan. $348, Nov./March $348. Brazil Pellets: *Nov. $352, Dec. $357, Nov./March $358.*

PARIS, November 3.

Cocoa (FFr per 100 kilos)—Dec. *960/978. March 1000-1015. May 1020-*1030, July 1035, Sept 1060-1078, Dec. 1085-1099. Sales at call: nil.

INDICES

FINANCIAL TIMES

Oct. 31	Oct. 30	M'nth ago	Year ago
274.65	274.46	274.29	291.34

(Base: July 1, 1952=100)

MOODY'S

Oct. 31	Oct. 30	M'nth ago	Year ago
1533.7	1524.5	1513.4	1126.6

(December 31, 1931=100)

DOW JONES

Dow Jones	Oct. 31	Oct. 30	Month ago	Year ago
Spot	482.42	479.87	463.10	399.47
F'tur's	501.16	499.18	485.72	403.53

(Average 1924-25-26=100)

REUTERS

Nov. 3	Oct. 31	M'nth ago	Year ago
1761.7	1749.4	1746.0	1688.8

Base: September 18, 1931=100)

SYDNEY GREASY WOOL—Close (in *order buyer, seller*, business, sales) Australian cents per pound. Dec 464.0, 466.0, 467.0-462.5, 89. March 485.0, 486.0, *490.0-485.0*, 159; *May* 501.0, 502.0, 502.0-499.5, 118; July 513.5, 515.0, 515.0-512.0, 77; Oct 512.0, 513.5, 513.0-512.0, 12; Dec 515.5, 516.0, 516.0-516.0, 27. March 519.0, 520.0-518.9, 16; May 521.0, 525.0, 521.0-521.0, 1. Sales: 529.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 59.8 to 64.3. Ulster hindquarters 68.0 to 72.0, forequarters *45.0 to 47.0, Eire hindquarters 68.8 to* 70.8, forequarters 44.5 to 45.8. Veal: Dutch hinds and ends 96.0 to 100.0. Lamb: English small 42.5 to 47.5, medium 41.0 to 45.0, heavy 36.0 to 42.0. Imported frozen NZ PL 52.0 to 53.0, NZ PM 47.0 to 48.0. *Pork: English,* under 100 lb 44.0 to 50.0, 100-120 lb 42.0 to 49.0, 120-160 lb 42.0 to 48.0.

stock prices at representative markets on November 3. GB—Cattle 70.77p per kg lw (+1.79). UK—Sheep 94.24p per kg est dcw (−3.08). GB—Pigs 69.34p per kg lb (−0.57).

COVENT GARDEN—*Prices in sterling* per package, except where otherwise stated: Imported Produce: Oranges—Spania: Navelinas *48/54/60 5.20, 70/80* 5.00-5.20, 90 5.00, 100/110 4.40, 120/150 4.00-4.20; Outspan: Valencia Lates 48 5.40, 56 5.75, 72 5.85, 88 4.65, 112 4.70, 138 4.55, 150 4.40; Brazilian: 72/138 3.60-3.60. Lemons—Spania: Trays 25/45 2.40-2.80; Turkish: 10-kg 4.00-4.80; Cyprus: 10-kg 4.80-5.50. Grapefruit—Cyprus 36/42, 48/54 4.00-4.50; Cuban: 4.00-4.20; *Jaffa:* 15-kg 36 5.35, 42 5.25, 48 4.90, 60 4.60, 70 4.30; *Dominican:* 3.50-5.00. Satsumas—Spania: 210/195/189 2.60-2.70, 168 2.80-2.90, 154 2.80-3.00, 144 3.10-3.20, 126 3.30-3.50, *105 3.60-3.80.*

English Produce: Potatoes—Per bag 1.20-2.00. Mushrooms—Per pound 0.60-0.70. *Apples—Per pound Bramleys* 0.05-0.08, Spartans 0.10-0.12, Worcester Pearmain 0.06-0.08, Cox's Orange Pippins 0.10-0.16, Russets 0.10-0.12. Pears—Per pound Conference 0.09-0.11, Comice 0.14-0.16. Cabbages—Per bag 1.30, White cabbages 2.40. Cauliflowers—Per 12 2.00-2.40. Beet*roots—Per bag* 0.90-1.20. Cucumbers—Trays 10/20 2.20-2.60. Tomatoes—Per 12-lb 1.40-1.80. Lettuce—Per 12 *round 1.60-1.80. Sprouts—Per pound* 0.07-0.08. Corn Cobs—Each 0.05. Carrots—Per 28-lb 0.90-1.20. Onions—*Per bag 2.50-2.80, Picklers 2.80.* Celery—Per pack 20/30 2.80, naked 12/14 1.40. Capsicums—Per pound 0.30. Swedes—Per 28-lb Devon 0.50. Cob Nuts—Per pound 0.35. Parsnips—Per 28-lb 1.30-1.50.

★

GRIMSBY FISH—Supply moderate, *demand good. Prices at ship's side* (unprocessed) per stone. Shell cod £5.50-£8.60, codlings £3.00-£4.50, haddock large £4.50-£4.90, medium £3.70-£4.40, small £2.00-£2.40, plaice medium £4.30-£6.80, best small £3.60-£5.00, skinned dogfish (large) £10.60-£10.80, medium £6.50-£7.50, lemon soles large £11.50, medium £9.00, reds £2.50-£3.60, saithe £2.80-£3.00.

LONDON STOCK EXCHANGE

Widespread reaction as interest hopes recede
Gilts nervous awaiting today's banking statistics

Account Dealing Dates
Options

*First Declara- Dealings	tions	Last Dealings	Account Day
Oct. 13	Oct. 23	Oct. 24	Nov. 3
Oct. 27	Nov. 6	Nov. 7	Nov. 17
Nov. 16	Nov. 20	Nov. 24	Dec. 1

* "New time" dealings may take place from 9 am two business days earlier.

The Government's *determination to adhere to its monetary policies and keep interest rates at their current near-record* levels discouraged potential investors in London stock markets yesterday. Government stocks led the downturn as some holders became nervous and reduced their commitments ahead of the October banking statistics, due at 2.30 pm today. Leading shares began steadily *and appeared to resist bearish* forecasts of a further 12 months of declining industrial output and profits, but soon followed the trend of Gilts.

Sterling's firmness yesterday provided no comfort to the *former market in which both* overseas buyers and domestic institutions would seem to be fully invested at present. Conditions were rather sensitive with nervous selling making for uncertainty and leaving falls extending to ¾ among the longs and to ¼ in the shorts. Recoveries were attempted at both ends of the market, but the movements lacked conviction and quotations were reverting to the day's lowest after the official close of business.

Once again, the Electrical sector was particularly vulner*able and selected issues* sustained double-figure falls: losses otherwise in the equity leaders were restricted to a band of 2 to 5 pence with the notable exception of **ICI**. Reports that the group is about to sign a *major trading agreement with* the Soviet Union encouraged good support for the shares which rose to 340p before closing a net 4 up at 338p. Measuring the overall dullness, the FT 30-share index ended 4.4 down *at 482.1 after showing a* loss of 5.7 at 2.00 pm. The new crises in the Motor industry were not known in market hours

The market in Overseas stocks was enlivened by **Jardine Matheson's** bid for 110m shares of **Hongkong Land** which, on completion, would raise its stake in the latter to about 45 per cent: *after purchasing 78.3m shares* yesterday, Jardine announced that it was reviewing the situation. At the close, Jardine Matheson were 29 down at 246p and Hongkong Land 25 up at 202p.

Traded options attracted 1,590 deals—well above last week's daily average of 1,088. Among *the more active issues,* **Commercial Union, Marks and Spencer** and **Lonrho** recorded 286, 212 and 206 trades respectively.

American Oil Field Systems staged a satisfactory market debut: from an opening level of 80p, the shares touched 85p before closing at 75p which compares with the issue price of 50p; the shares are dealt under Special Rule.

Banks dull

Scattered offerings and lack of support made for dull conditions in the banking sector. **Barclays**, 460p, and **NatWest**, 410p, lost 8 apiece, while **Lloyds** relinquished 7 to 335p and **Midland** 6 to 342p. **Bank of Scotland** gave up 7 to 313p. Elsewhere, *Grindlays dipped 8 to 152p but* **Hong Kong and Shanghai** moved against the trend at 173p, up 5. The prospect of a continuing period of high interest rates unsettled both Discount Houses and Hire Purchases. In the former, falls of 6 were seen in **Alexanders**, 250p, **Cater Ryder**, 370p, and **Smith St. Aubyn**, 168p, while **Gillett Bros.** fell 8 to 198p. Dull spots among HPs included **Lloyds and Scottish** which reacted 10 to 172p and **Wagon Finance**, 3 lower at 42p. Up 79 last week on persistent investment buying, **Hambros** declined 25 to 680p *on profit-taking.*

Falls in Insurances ranged to 10. **Hambro Life** lost that much to 306p and **Pearl** fell 8 to 456p, while **Legal and General**, 230p, and **Prudential**, 250p, cheapened *7 apiece. In the wake of Friday's* eventful meetings, **Christopher Moran** closed a couple of pence lower at 22p.

Bid speculation continued to buoy **Amalgamated Distilled Products**, 3 better for a two-day *gain of 6 at 60p.* Other Wines and Spirits again tended to lower levels with currency influences clipping 3 *from* **Irish Distillers**, 72p.

Gussies flat

Buildings turned decidedly dull on a withdrawal of buyers and scrappy selling, **Blue Circle** losing 4 to 322p and **London Brick** 2 to 70p. **BPB** shed 4 to 228p, while **Tarmac** and **Redland** gave up 5 apiece to 255p and 160p respectively. **Bryant Holdings**, a good market of late on the preliminary results and proposed 200 per cent scrip issue, relinquished 4 to 89p, while **Cement Roadstone** lost 2 to 79p on Irish currency influences. Timbers lacked support. **Montague L. Meyer** easing 3 to 87p *and* **Phoenix** *4 to 94p.*

Demand for Stores remained at a low ebb and most issues drifted easier, though a firmer trend was noted after the official close. Second thoughts over the chairman's annual review prompted selling in **Gussies "A"** which fell to 473p before rallying slightly to end a net 13 down at 475p. **British Home** shed 3 at 161p, after 160p, while **Mothercare** lost 6 at 242p. **Marks and Spencer** gave up 2 more to 111p, while **Raybeck** finished 3 cheaper at 72p. *Recently firm electrical retailers* encountered profit-taking with **Dixons Photographic** ending 8 lower at 128p. **Comet Radiovision**, 105p, and **Currys**, 276p, fell 5 and 3 respectively. **Kean and Scott**, a rising market last week following the rights issue at favourable terms, shed 10 at 160p, while **J. Hepworth** declined 2 more at 95p. A rare upward movement was provided by **R. and J. Pullman**, 2 dearer at 44p after Press comment.

Electricals came under selling pressure, but some of the leaders closed well above the day's worst. **GEC** touched 555p before recovering to close 8 lower on *balance at 562p, while* **Racal** ended only 5 lower at 346p, after 341p; the results for the latter's subsidiary, Decca, were announced yesterday. **Plessey** fell 12 to 256p, but **Thorn EMI**, a penny harder at 359p, after 354p, continued to benefit from news of the proposed sale of certain parts of its leisure interests to Trusthouse Forte for £16m. Secondary issues also recorded some fairly substantial losses, **STC** dropping 16 to 477p and **MK Electric** 12 to 210p. On the other hand, the financing arrangement with Cyle and *Carriage Limited left* **Newman Industries** a penny firmer at 32p.

Leading Engineers were inclined a penny or so easier in extremely quiet trading. Elsewhere, **Stothert and Pitt** firmed 12 to 100p in a limited market following the annual report, while favourable Press mention prompted a gain of 4 to 55p in **Brooke Tool** and **Stone Platt** hardened a penny to 33p in response to news of the proposed *sale of its pump division.* Occasional support lifted **Hopkinsons** 4 to 59p, while **British** *Northrop hardened 2 more to* 17p on the return to first-half profitability. In contrast, **Wolseley Hughes** were dull at 206p, down 4, following adverse Press mention.

Foods trended easier with **J. Sainsbury** 5 off at 580p in front of tomorrow's interim results. **Associated Dairies**, still unsettled by the chairman's profits warning, shed 4 more to 224p, while **Tesco** gave up 1½ to a 1980 low of 51p. Elsewhere, **P. Panto** eased a penny to 11p on the bigger half-yearly loss.

Brent Walker fell to 54p before closing 7 cheaper on balance at 57p on poor interim results, while **Warner Holidays A** shed 2½ to 51p ahead of tomorrow's half-timer.

Sentiment in the miscellaneous industrial leaders was undermined by gloomy economic surveys and the prospect of a continuing period of high interest rates. **Rank Organisation** fell 8 to 176p and **Unilever** *6 to 447p; the latter's interim* figures are due next Tuesday. **Boots** cheapened 5 to 242p and **Turner and Newall** closed 3 off at 89p after touching a 1980 low of 88p. Secondary issues provided *some isolated firm features with* **John Williams of Cardiff** notable for a Press-inspired improvement *of 6 to 34p. Buying ahead of the* forthcoming mid-term figures helped **J. Billam** rise 5 to 51p, *after 52p, while* **St. Georges Laundry** gained 4 to 92p and **Thomas French** put on 5 to 125p. Adverse comment ahead of the long-awaited results due next week clipped 2 from **Airfix Industries** at 7p, while **B. and I. Nathan** gave up 5 to 34p on further consideration of the poor first-half. The Cunard/National *Union of Seamen's dispute* unsettled **European Ferries** which cheapened 3 to 161p, while *Wedgwood came on offer at 53p,* down 4½. Nervousness ahead of next Tuesday's preliminary results left **Smiths Industries** 6 easier at 227p, while similar falls were seen in recent speculative favourite **Avon Rubber**, 90p, and *in Granada A, 189p.* **Sketchley** receded 5 to 234p awaiting today's first-half figures, while **Cawdaw**, at 29p, gave up 2 of last Friday's speculative rise of 7 which followed the announcement that Illingworth Morris had *disposed of its 33½ per cent stake* in the company.

Horizon Travel, a god market *of late on capital proposals and* shareholders' concessions, shed 18 to 340p on profit-taking, while **Associated Leisure** gave up 5 to 129p as bid hopes faded.

Motor Components provided an irregular appearance after quiet trading. **Dunlop** added a couple of pence to 74p, but recently firm **Dowty** shed that amount to 248p, while **Lucas**, results next Monday, fell 3 more to 166p. Further consideration of the disappointing interim statement clipped 2 more from **Zenith A**, 50p. Among Distributors, Press comment failed to *inspire Caffyns, 5 off at 175p.*

With investors resigned to high interest rates continuing for *some time,* **Properties** *encountered a bout of selling but prices* edged away from the lowest after the official close. **Land Securities** finished 7 off at 381p, after 380p, and **MEPC** 3 cheaper at 234p, after 233p. **Stock Conversion** shed 10 to 310p, while *Haslemere* Estates, 380p, and **Great Portland** Estates, 230p, both lost 4. On *the agreed 125p per share cash* bid from Hanover Acceptances Finance, dealings in **Dorrington** were *resumed at 118p with a* close of 124p, which compares with a suspension price of 114p.

Oils encountered further profit-taking, although fresh losses were relatively light com*pared with last Friday's. Helped* by favourable Press mention, **BP** and **Shell** both trended firmer initially before drifting back to close a few pence lower at 470p and 464p respectively. Among the speculative issues, **Double Eagle** met selling and dipped 80 to 620p, with **Warrior Resources** 30 lower at 325p.

Small falls were the order of the day among subdued Textiles, although firmness was shown in *Textured Jersey, 6 up at 64p,* following an investment recommendation.

Quiet mines

Mining markets began the week in quiet trading. South African Golds opened on an uncertain note but generally made good progress during the afternoon as the bullion price moved ahead to close $13 higher at $642.50 an ounce.

The heavyweight issues were particularly in demand with **Randfontein** prominent and *finally a further ¾ firmer at £42¾,* **President Brand** almost a point to the good at £29¾, and gains of around ½ common to **Buffels**, £27½, **Kloof**, £21¾, and **West Driefontein**, £44½.

In the marginal issues **East** *Rand Proprietary were unaltered* at £14¼ following news that a fire in the eastern section of the mine had been completely sealed and personnel redeployed to minimise production losses.

The London Financials were featured by **Tanks** which advanced 20 to 320p following the company's sale of its direct *holding in the Ashton diamond* venture to **Ashton Mining** in exchage for A$26.3m in cash and 11m shares in Ashton Mining.

Gold Fields moved up 9 to 655p in response to the rise in the bullion price, while **Charter** *hardened 3 to 273p.*

Australians were mainly a share firmer in line with the trend in overnight Sydney and Melbourne markets.

Among the leaders **Western Mining** edged up 2 to a year's *high of 320p ahead of the annual* report. The Rundle twins lost ground on profit-taking after the announcement of a new oil-shale discovery. **Central Pacific** dipped 30 to 505p and **Southern Pacific** 13 to 192p.

In the speculative issues new highs for 1980 were attained by **Metals and Energy** and **Minefields Exploration** which added 2 apiece to 32p and 24p respectively while **Metramar** rose 5 to 30p.

FINANCIAL TIMES STOCK INDICES

	Nov. 3	Oct. 31	Oct. 30	Oct. 29	Oct. 28	Oct. 27	A year ago
Government Secs	70.45	70.94	71.30	71.42	71.53	71.71	68.17
Fixed Interest	71.97	72.14	72.29	72.30	72.53	72.30	68.92
Industrial Ord.	482.1	486.5	492.8	493.2	495.5	486.1	481.0
Gold Mines	501.8	504.9	516.8	503.5	496.5	488.3	300.1
Ord. Div. Yield	7.54	7.47	7.38	7.38	7.36	7.38	7.98
Earnings, Yld. % (full)	17.02	16.87	16.69	16.66	16.63	16.64	19.09
P/E Ratio (net) (*)	7.17	7.23	7.31	7.31	7.34	7.33	6.45
Total Bargains	20,039	18,877	20,779	22,451	21,780	22,537	19,928
Equity turnover £m.	—	134.73	160.00	140.39	140.48	131.65	99.84
Equity bargains total	—	16,272	18,675	19,204	18,200	17,631	15,400

10 am 486.5. 11 am 483.2. Noon 481.2. 1 pm 480.9. 2 pm 480.8. 3 pm 482.0.
Latest Index 01-246 8026.
*Nil=6.66.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	72.64 (21/7)	63.85 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	508.9 (12/8)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
GoldMines.	568.9 (22/9)	265.5 (18/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 3	Oct. 31
—Daily		
Gilt Edged	96.0	89.1
Industrials	80.4	86.3
Speculative	42.3	34.8
Totals	62.3	66.8
5-day Avrge.		
Gilt Edged	104.1	104.2
Industrials	91.6	97.6
Speculative	42.0	41.6
Totals	69.4	72.4

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (30)

AMERICANS (2)
Richardson-Merrell Singer
BANKS (2)
Hongkong Shanghai Lond Scot. Finance
BEERS (1)
Amal. Dist. Prods.
ELECTRICALS (3)
Suter Elec. Mitel Corp.
INDUSTRIALS (7)
Anglo-Am. Asphalt Maynards
Baird (Wm.) St. George's Laundey
French (Thos.) Securicor A N-V
Hutchison Whampoa
LEISURE (2)
Rediffusion TV Pref. Zetters
PROPERTY (2)
Dorrington Hongkong Land
SOUTH AFRICANS (1)
Tiger Oats
TEXTILES (1)
Textured Jersey
TRUSTS (1)
Parambe
OIL & GAS (4)
LASMO Ops. Santos
New Court Natl. Woodside
MINES (4)
Metals Energy Western Mining
Minefields Expirtn. Colby Res.

NEW LOWS (46)

AMERICANS (1)
Norton Simon Inc.
CANADIANS (1)
Imperial Oil
BANKS (1)
Commerzbank
BUILDINGS (3)
Arncliffe Westbrick Products
Hewden-Stuart
CHEMICALS (4)
Akzo Int. Paint
Allied Colloids Laporte Inds.
ELECTRICALS (1)
Wellco
ENGINEERING (10)
Birmid Qualcast GKN
Clifford (Ch.) Midland Inds.
Delta Metal Turriff
Edbro Williams (W.)
Amal. Power Wolseley Hughes
FOODS (3)
Bishop's Stores A Tesco
Panto (P.)
INDUSTRIALS (13)
Airfix Inds. Letraset
BBA Ofrex
Bodycote Int. Sharna Ware
Chubb Turner & Newall
Cole (R. H.) UKO Int
Dufay Bitumastic Wedgwood
Hyman (I. & J.)
INSURANCE (2)
Howden (A.) Minet
MOTORS (4)
York Trailer Zenith A
Bluemel Brothers Appleyard
NEWSPAPERS (1)
Yiliverpol Daily Post
TEXTILES (2)
Atkins Brothers Stoddard A

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	91	4
Corpns. Dom. and Foreign Bonds	3	31	30
Industrials	99	482	831
Financial and Prop.	174	142	178
Oils	14	30	37
Plantations	2	1	21
Mines	40	51	89
Others	59	45	74
Totals	391	853	1,224

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon., Nov. 3, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. Oct. 31 Index No.	Thur. Oct. 30 Index No.	Wed. Oct. 29 Index No.	Tues. Oct. 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	288.09	−1.6	15.33	5.75	7.93	292.67	294.04	293.56	294.44	211.40
2	Building Materials (28)	244.23	−1.6	19.48	7.02	6.10	248.12	249.54	250.10	250.33	205.82
3	Contracting, Construction (27)	418.47	−1.2	21.74	5.98	5.43	423.74	428.61	429.31	428.08	341.64
4	Electricals (17)	933.51	−2.0	10.48	2.89	11.72	952.84	952.85	946.68	949.62	527.57
5	Engineering Contractors (11)	356.17	−1.8	17.38	7.26	7.34	362.54	363.76	363.16	363.23	294.63
6	Mechanical Engineering (72)	177.31	−1.1	16.33	7.53	7.47	179.36	181.14	181.47	182.48	144.40
8	Metals and Metal Forming (16)	150.51	−0.7	19.39	10.87	6.43	151.60	152.34	152.41	153.51	144.21
11	CONSUMER GOODS (DURABLE) (48)	245.07	−1.2	13.06	5.12	9.16	248.03	249.05	248.62	248.52	285.04
12	Lt. Electronics, Radio, TV (14)	387.43	−1.3	9.81	3.57	12.39	392.48	393.70	392.55	390.42	287.96
13	Household Goods (13)	85.78	−2.0	26.37	11.00	4.79	87.57	88.89	88.59	88.53	126.54
14	*Motors and Distributors (21)*	91.98	−0.6	23.48	10.17	4.91	92.58	93.12	93.45	95.29	108.48
21	CONSUMER GOODS (NON DURABLES) (171)	240.20	−1.3	16.95	6.73	7.13	243.48	246.41	246.80	247.74	218.85
22	Breweries (14)	275.16	−0.8	16.46	6.69	7.09	277.31	280.99	281.73	282.36	254.06
23	Wines and Spirits (5)	288.60	−0.8	21.24	7.12	5.53	290.97	291.87	294.64	295.80	306.03
24	Entertainment, Catering (17)	350.75	−0.9	16.58	6.38	7.43	354.08	361.82	363.88	364.78	288.15
25	Food Manufacturing (22)	211.03	−1.3	18.85	7.23	6.27	213.87	215.01	215.23	216.45	190.52
26	*Food Retailing (13)*	403.64	−1.3	11.78	3.83	10.06	409.03	411.67	414.27	416.61	276.19
32	Newspapers, Publishing (12)	439.90	−0.4	22.47	6.61	5.82	441.76	444.61	444.78	445.67	377.67
33	Packaging and Paper (15)	121.52	−0.5	26.57	10.65	4.36	122.15	124.08	125.76	125.72	116.70
34	Stores (44)	248.22	−1.9	12.20	5.08	10.70	252.94	256.78	257.18	257.59	205.32
35	Textiles (21)	129.59	−0.7	23.66	11.83	5.17	130.56	131.86	129.99	130.59	136.21
36	Tobaccos (3)	215.38	−1.7	26.65	10.81	4.27	219.04	221.51	219.03	222.00	213.24
37	Toys and Games (5)	24.65	−3.3	9.12	11.73	25.35	25.48	25.84	25.84	25.26	56.54
41	*OTHER GROUPS (98)*	221.02	−0.5	15.81	7.08	7.55	222.11	223.76	224.08	225.38	184.90
42	Chemicals (15)	304.37	+0.6	17.42	7.98	6.71	302.53	303.49	305.22	308.06	265.55
43	Pharmaceutical Products (7)	225.99	−0.3	11.31	6.20	10.59	226.68	229.92	228.49	229.67	198.64
44	Office Equipment (6)	104.69	−3.6	19.64	7.94	5.95	108.61	108.75	109.59	110.00	106.68
45	Shipping (10)	566.38	−1.5	12.98	6.44	9.41	574.84	579.51	578.15	580.02	426.93
46	Miscellaneous (60)	280.24	−0.9	16.49	6.65	7.40	282.83	285.37	285.63	286.69	216.71
49	INDUSTRIAL GROUP (488)	255.57	−1.2	15.96	6.42	7.55	258.70	260.87	260.97	261.95	210.86
51	Oils (12)	988.27	−0.9	24.32	5.32	4.58	997.65	1015.93	999.99	994.65	709.87
59	500 SHARE INDEX	313.44	−1.1	18.02	6.15	6.51	317.06	320.50	319.35	319.83	250.30
61	FINANCIAL GROUP (118)	251.83	−1.7	—	5.22	—	256.31	259.10	260.32	260.37	170.43
62	*Banks (6)*	260.42	−1.8	39.24	6.47	3.05	265.26	268.09	271.75	267.32	195.90
63	Discount Houses (10)	295.48	−1.5	—	5.82	—	299.86	301.26	300.92	300.42	227.59
64	Hire Purchase (5)	229.24	−4.0	10.82	4.40	12.47	238.67	240.25	241.20	242.35	159.06
65	Insurance (Life) (10)	258.41	−2.4	—	5.10	—	264.89	268.19	269.76	272.22	140.42
66	Insurance (Composite) (9)	170.79	−1.2	—	6.65	—	172.90	174.84	176.53	177.96	111.12
67	Insurance Brokers (9)	331.00	−2.6	13.92	6.98	9.84	340.00	343.35	343.15	344.98	255.59
68	Merchant Banks (13)	160.21	−1.5	—	4.75	—	162.57	163.47	161.69	161.27	89.87
69	Property (45)	459.46	−1.6	3.14	2.66	44.36	466.80	472.25	471.01	473.46	316.90
70	Miscellaneous (11)	162.99	−1.4	15.91	5.90	7.95	165.38	167.38	167.42	166.83	112.80
71	Investment Trusts (109)	289.19	−1.4	—	5.10	—	293.36	297.09	298.64	296.23	190.13
81	*Mining Finance (3)*	272.96	+0.7	13.02	4.80	9.15	271.09	277.15	275.46	271.55	135.55
91	Overseas Traders (20)	448.37	−1.1	11.18	6.66	10.81	453.20	455.93	457.05	458.57	316.79
99	ALL-SHARE INDEX (750)	302.52	−1.2	—	5.89	—	306.26	309.68	309.24	309.33	228.43

FIXED INTEREST PRICE INDICES

	British Government	Mon. Nov. 3	Day's change %	Fri. Oct. 31	xd adj. today	xd adj. 1980 to date
1	Under 5 years	106.27	−0.31	106.60	—	8.78
2	5-15 years	112.41	−0.59	113.07	—	10.68
3	Over 15 years	118.19	−0.62	118.93	—	11.97
4	Irredeemables	130.43	−0.57	131.18	—	13.32
5	All stocks	112.03	−0.51	112.61	—	10.39

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Mon. Nov. 3	Fri. Oct. 31	Year ago (approx.)
1	Low Coupons	5 years	11.73	11.60	11.50
2		15 years	11.69	11.57	11.79
3		25 years	11.69	11.57	12.18
4	Medium Coupons	5 years	13.36	13.19	13.50
5		15 years	13.30	13.19	13.36
6		25 years	13.00	12.92	13.22
7	High Coupons	5 years	13.45	13.28	13.87
8		15 years	13.53	13.44	13.77
9		25 years	13.17	13.08	13.50
10	Irredeemables		11.13	11.07	11.91

		Mon., Nov. 3 Index No.	Mon., Nov. 3 Yield %	Friday Oct. 31	Thurs. Oct. 30	Wed. Oct. 29	Tues. Oct. 28	Mon. Oct. 27	Friday Oct. 24	Thurs. Oct. 23	Year ago (approx)
15	20-yr. Red. Deb. & Loans (15)	54.45	†13.62	54.49	54.59	54.60	54.67	54.65	54.46	54.44	54.89
16	Investment Trust Prefs. (15)	50.67	13.38	50.67	50.86	50.85	50.85	50.85	50.98	51.02	46.41
17	Coml. and Indl. Prefs. (20)	67.36	13.30	67.51	67.65	68.00	68.00	68.00	68.00	68.01	62.95

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
Clyde Petroleum	£1	8	835	−10	865	230
BAT Inds.	25p	7	270	− 6	295	223
ICI	*£1*	7	*338*	+ 4	402	318
Marks & Spencer	25p	7	111	− 2	117	77
BP	25p	6	470	− 6	484	320
GEC	25p	6	562	− 8	572	326
New Court Nat.	5p	6	95	+ 1	95	32
Shell Transport	25p	6	464	− 2	474	314
Barclays Bank	£1	5	460	− 8	482	327
Burmah Oil	£1	5	*201*	− 2	249	*162*
Charterhall	5p	5	98	—	108	52½
Cope Allman	5p	5	74	− 1	79	60
Courtaulds	25p	5	64	—	87	57
Plessey	50p	5	256	−12	274	108
Tn. & City Props.	10p	5	27¾	− ¼	29½	16

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov. 3	Nov. 14	Feb. 5	Feb. 16
Nov. 17	Nov. 28	Feb. 26	Mar. 9
Dec. 1	Dec. 12	Mar. 12	Mar. 23

For rate indications see end of Share Information Service

Quieter conditions prevailed in Options with calls arranged in Lonrho, Grand Met., Charterhall, FNFC, North Kalgurli, RHM, Turner and Newall, Burmah, Shell Transport, *Double Eagle, Premier* Oil, Southern Pacific, British Land and Provincial Land. Puts *were done in Trafalgar House,* BP, Tesco, ICI, Automated Security, Candecca and Wholesale Fittings, while doubles were completed in Endeavour and Marks and Spencer.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
80	F.P.	—	80	70	††H'sk'th M'rcyc's50p	72	......	—	—	—	—
§15	F.P.	—	32	26	††Intervision Pfd. 10p	27	−2	—	—	—	—
87	F.P.	—	145	92	††ORE	128	+2	—	—	—	—
§160	F.P.	—	200	160	††Trust Securities40p	185	−5	‡7.88	2.9	6.1	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
§100p.	F.P.	—	118p	96p	††Intervision 7 Cnv. Pref.	112p	......
¶	£10	9/1	106½	105½	Lee Valley Water 9¾% Red. Pref. 1987	106½	......
‖	F.P.	31/10	117	106	Queens Moat 10⅛% Cons Uns Ln '89-91	111	......
‖	F.P.	10/11	115	103½	R.T.Z. 9½% Conv. Uns. Ln. '95-2000	110½p	......
‡	F.P.	—	98	85	S. Rhodesia 6% '78-81 Asstd.	97½	−½
‡	F.P.	—	70	61	Do. 4½% '77-82 Asstd.	70	......
‡	F.P.	—	42	31	Do. 3½% '80-85 Asstd.	40	+1
‡	F.P.	—	27	20½	Do. 4½% '87-92 Asstd.	24	−5
‖	F.P.	—	111	105½	TownCentreSecs.9%Cnv.Uns.Ln. '96-2000	110½	−⅛
‖	F.P.	17/10	37⅛	35¼	Western Deep 12% Uns. Deb. '86-93	35⅞	−⅛
—	—	—	12¼	10	Do. Options	12¼	+⅛
‡	F.P.	—	312	275	Zimbabwe settlement annuity Reg	290	−10

"RIGHTS" OFFERS

Issue price p:	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing price p:	+ or −
54	F.P.	31/10	5/12	75	69	Argyll Foods	74	−1
300	F.P.	20/10	5/12	386	342	BTR	380	−2
118	F.P.	3/11	15/12	137	132	Brixton Estate	132	−5
27	Nil	6/11	4/12	11pm	6pm	Bulgin (A.F.) A	10pm	−1
650	F.P.	20/10	10/11	800	745	Burnett & Hallamshire	745	......
A$360	Nil	—	—	160pm	130pm	CRA	148pm	......
157	F.P.	31/10	21/11	208	174½	Cape Industries	208	+2
500	F.P.	31/10	26/11	850	775	Commercial Bk. of Nr. East	850	......
—	—	—	—	492	360	East Rand Prop. Options	435	+75
A$	Nil	—	—	5pm	5pm	ElderSmith GoldbroughM'rt	5pm	......
80	F.P.	31/10	26/11	123	115	Huntleigh	118	......
15	F.P.	—	—	32	27	††Intervision	28	−1
100	F.P.	—	—	115	101	Do 7% Cnv Pref	115	......
73	Nil	14/11	12/12	17pm	12pm	Lilley (F.J.C.)	17pm	+4
240	F.P.	6/10	14/11	365	318	M. L. Hldgs.	318	......
280	F.P.	17/10	7/11	370	302	Mills & Allen	370	......
25	Nil	12/11	26/11	98pm	78pm	Mucklow (A.J.)	78pm	−5
SA1.85	Nil	—	—	50pm	43pm	North Kalgurli Mines	47pm	......
280	F.P.	—	—	430	317	††Pict Petroleum	400	−15
80	Nil	3/11	24/11	5pm	1pm	Pyke (Hldgs)	1pm	......
370	F.P.	17/10	14/11	515	428	Ricardo	515	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. † Dealings under special rule. ‡‡ London Listing. ‡ Resulting from debt settlement scheme.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Gartmore Invest. Ltd. Ldn. Agts.
Guinness Mahon Fd. Mgrs. (Guernsey) Ltd.
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Hambros (Guernsey) Ltd.
Henderson Admin.
Henderson Baring Group
Hill-Samuel & Co. (Guernsey) Ltd.
Hill Samuel Invest. Mgmt. Intnl.
N.V. Interbeheer
International Pacific Inv. Mgmt. Ltd.
Jardine Fleming & Co. Ltd.
Leopold Joseph & Sons (Guernsey)
Kemp-Gee Management, Jersey Ltd.
Keyser Ullmann Ltd.
King & Shaxson Mgrs.
Kleinwort Benson Group
Lazard Brothers & Co. (Jersey) Ltd.
Lloyds Bk. (C.I.) U/T Mgrs.
Lloyds Bank International, Geneva
M & G Group
Management International Ltd.
Midland Bank Tst. Corp. (Jersey) Ltd.
Samuel Montagu Ldn. Agents
Murray, Johnstone (Inv. Adviser)
Nat. Westminster Jersey Fd. Mgrs. Ltd.
Negit S.A.
N.E.L. International Ltd.
Pacific Basin Fund
Phoenix International
Providence Capitol Life Ass. (C.I.)
Quest Fund Mngmnt. (Jersey) Ltd.
RBC Investment Managers Limited
Richmond Life Ass. Ltd.
Rothschild Asset Management (C.I.)
Rothschild Asset Mgt. (Bermuda)
Save & Prosper International
Schroder Mngt. Services (Jersey) Ltd.
J. Henry Schroder Wagg & Co. Ltd.
Sentry Assurance International Ltd.
Singer & Friedlander Ldn. Agents
Standard Chartered Int. Bd. Fd.
Stronghold Management Limited
Surinvest (Jersey) Ltd.
Surinvest Trust Managers Ltd.
TSB Unit Trust Managers (C.I.) Ltd.
TSB Gilt Fund Managers (C.I.) Ltd.
Tokyo Pacific Holdings N.V.
Tokyo Pacific Hldgs. (Seaboard) N.V.
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Union-Investment-Gesellschaft mbH
van Cutsem & Associates Ltd.
S. G. Warburg & Co. Ltd.
Warburg Invest. Mngt. Jrsy. Ltd.
Wardley Investment Services Ltd.
World Wide Growth Management
Wren Commodity Trust

NOTES

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a) (z)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	52.7	56.7	+0.4	2.56
Abbey Capital	44.4	48.0	-0.6	5.10
Abbey General	55.3	59.8	-0.7	5.25
Abbey Gilt & F.I. Tst.	114.2	120.2	-0.3	11.38
Abbey Income	33.6	36.3xd	-0.2	9.53
Abbey W'Wide Bd Tst.	86.8	91.9	-0.5	7.29
Abbey Inv. Tst. Fd.	49.6	53.6	-0.3	4.74
Equitas Prog. Tst.	83.7	90.5xd	-0.7	4.76

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	92.2	97.5	-0.5	12.45

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	88.3	94.5	-1.1	6.11
Brit. Inds. Fund	79.0	84.5	-0.7	6.32
Growth & Income	50.1	53.6	-0.6	5.19
Elect. & Ind. Dev.	43.9	47.0xd	-0.4	5.32
Allied Capital	94.5	101.1xd	-1.3	4.10
Hambro Fund	135.1	144.6	-1.3	5.98
Hambro Acc. Fund	180.6	193.2xd	-2.1	4.71
Income Funds				
High Yield Fd.	64.3	68.8	-0.4	9.74
High Income	77.2	[illegible]	[illegible]	7.70
A. H. Eq. Inc.	45.6	[illegible]	-0.3	7.50
Govt. Secs.	25.4	[illegible]	-0.1	11.92
International Funds				
International	33.7	36.1	+0.1	2.74
Pacific Fund	59.4	63.6	+0.4	1.92
Secs. Of America	64.3	68.8	+0.3	2.33
Specialist Funds				
Smaller Co.'s Fd.	54.9	58.7	-0.3	4.26

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.0	39.3xd	-0.2	11.48
North American	56.1	59.6	+0.5	2.89
Canadian Exempt*	62.3	65.9xd	.....	3.57
Canadian Trust	60.7	65.6xd	+0.2	2.73
Mid Mount High Inc.*	49.6	52.4	.....	9.20
Recovery	56.6	61.8xd	-0.3	6.97
Gilt Trust	44.7	46.8	-0.1	12.38

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	35.6	38.4xd	+0.1	0.97
Cres. Internat'l.	69.4	74.9	+0.1	2.35
Cres. High. Dist.	40.6	43.8xd	-0.5	11.11
Cres. Reserves	51.8	55.9	-0.5	5.36
Cres. Tokyo	24.8	26.7	+0.1	0.70

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.9	25.2xd	.....	13.20

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Oct. 24	228.4	243.6	.....	5.60

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.4	19.3	.....	8.70
Gt. Winchester O'seas	24.8	27.6	.....	4.05

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	91.7	98.8	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	87.2	91.7xd	-1.0	4.79

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American	29.9	32.4	+0.3	0.92
Gilt + Fixed Int.	25.3	26.7xd	-0.1	12.22
Growth + Income	31.3	33.7	-0.1	7.20
Special Sits.	38.5	41.4	+0.1	2.08

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980 High	Low	Stock	Price £	+ or –	Int. Yield	Red. Yield
91	82¼	Aust. 5½pc '81-82	90¼	–⅛	6.13	13.77
85¼	72½	Do. 6pc 1981-83	82¼xd	–½	7.25	13.02
67¼	58	N.Z. 7¼pc 1988-92	66¼	–½	11.28	13.38
82¼	72	Do. 7½pc '83-86	81½	–½	9.54	12.97
96¼	88	Sth. Africa 9½pc '79-81	94½xd	......	10.06	15.75
160	95	S. Rhod. 2½pc Non-Ass.	102	–3	—	28.00
169	133	Do. 6pc '78-81 N.-As.	151	......	—	24.18

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

Stock			Price	+ or –	Div. Gross	C'vr	Yld Gr's
11½	830p	Hudson's Bay ||	830pxd	......	‡$1.20	—	5.4
14¼	925p	Hud. B. Oil G. $2½	960p	+50	57.5c	—	2.2
21⅞	12⅝	Imperial Oil ||	12⅞	–⅛	$1.40	—	4.1
14	850p	Inco ||	875p	+25	$US72c	—	3.7
565p	425p	Int. Nat. Gas $1	560p	+20	$1.00	—	7.6
495p	218p	Massey Ferg. ||	220p	+2	—	—	—
200p	97p	Place Gas $1	107p	......	—	—	—
14 7/16	10½	Rio Algom	13¼	–½	$1.50	—	4.3
19¼	14¼	Royal Bk. Can. $2	18¼xr	+⅛	$2.72	—	5.5
25⅞	15 7/16	Seagram Co. C$1	22 11/16xd	......	$US1.10	—	2.2
12	890p	Tor. Dom. Bk. $1	11 5/16	+⅛	$1.44	—	4.8
10½	750p	Trans Can. Pipe	800p	–10	$1.16	—	5.5

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[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	21	Acmex 50c	30	......	—	—	—
28	12	ACM 20c	24	......	—	—	—
170	52½	Bond Corp.	170	......	07½c	ϕ	2.3
156	88	Bougainville I Kina	108	−2	[illegible]	1.0	12.4
*350	221	CRA 50c	326	−6	tQ15c	2.1	8.0
25	11½	Canada Northwest	22	+½	—	—	—
42	8	Carr Boyd 20c	37	+1	—	—	—

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

1980 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
180	78½	Anglo-Dominion	150	−5	—	—	—
97	51	Barymin	54	+2	—	—	—
17	12	Burma Mines 10p	15	......	0.62	1.1	6.0
350	53	Colby Res. Corp.	350	+40	—	—	—
502	250	Cons. Murch. 10c.	250	−10	tQ30c	1.8	6.9
180	80	††Hemerdon 10c.	95	......	—	—	—
585	325	Northgate C$1	460	−15	—	—	—
*486	322	R.T.Z.	470	......	t16.0	3.2	4.9
49	16	Robert Mines	35⅞	−3⅛	—	—	—
128	91	††SPO Minerals 10p	124	−4	—	—	—
58	26	Sabina Inds. C$1	42	−2	—	—	—
51	31	††SWCM 10p	36	−1	—	—	—
650	411	Tara Exptn. $1	545	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	38	......	Conv. 9% '80/82	£94	......
Bertam	14	......	Nat. 9¾% 84/89	£82½	......
Bdg'wtr. Est. 50p	480	......	Fin. 13% 97/02	£87¾	−¼
Craig & Rose £1	£11	......	Alliance Gas	54	+3
Fife Forge	41	......	Arnott	202	......
Finlay Pkg. 5p	27	......	Carroll (P.J.)	80	......
Graig Ship. £1	£25	......	Clondalkin	105	......
Higsons Brew	67	......	Concrete Prods.	85	......
Holt (Jos) 25p	285	......	Heiton (Hldgs.)	34	+1
I.O.M. Stm. £1	160	......	Ins. Corp.	310	......
Pearce (C. H.)	590	......	Irish Ropes	37	......
Peel Mills	53	+4	Jacob	31½xd	......

[illegible]

OPTIONS

3-month Call Rates

[illegible]

Brown (J.)	8	"Mans"	[illegible]	Town & City	2¾
Burton 'A'	10	Mrks. & Spncr.	9		
Cadburys	6	Midland Bank	32	Oils	
Courtaulds	8	N.E.I.	7	Brit. Petroleum	50
Debenhams	8	Nat. West. Bank	32	Burmah Oil	20
Distillers	17	P & O Dfd.	12	Charterhall	13
Dunlop	9	Plessey	22	KCA	25
Eagle Star	24	Racal Elect.	30	Premier	13
F.N.F.C.	5	R.H.M.	4	Shell	40
Gen. Accident	32	Rank Org.	16	Tricentrol	40
Gen. Electric	50	Reed Intnl.	18	Ultramar	50
Glaxo	22	Sears	5		
Grand Met.	14	Tesco	6		
G.U.S. 'A'	42	Thorn	28	Mines	
Guardian	32	Trust Houses	18	Charter Cons.	30
G.K.N.	18	Tube Invest.	21	Cons. Gold	65
Hawker Sidd	20	Unilever	42	Lonrho	11
House of Fraser	15	U.D.T.	5	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

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FINANCIAL TIMES

Tuesday November 4 1980

Bank's Governor concerned at effects of strong pound

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CONCERN ABOUT the pressures affecting many parts of *British industry by the strong* pound was expressed last night by Mr. Gordon Richardson, Governor of the Bank of England.

Mr. Richardson told *MPs on* the all-party Commons. Treasury and Civil Service Committee that many of the upward pressures on the pound were unavoidable *and* outside the control of the UK authorities.

His comments came on a day when sterling jumped even higher in foreign exchange markets. Its trade-weighted index, measuring the average value of the pound against other currencies, rose 0.5 points to 79.7, its highest level since January, 1974.

Mr. Richardson was more explicit than the Bank has ever been in public about the problems caused *by the* strong pound. But he avoided saying whether he thought the pound was over-valued or not. He said he never tried to talk the exchange rate up or down.

The Governor did, however, underline the problems which *made life "uncomfortable for* many parts of British industry" though he also said there were offsetting advantages for purchasers of goods and there was also a helpful influence in containing inflation.

Mr. Richardson noted the factors which the UK could not affect. These include North Sea oil. the effects of Middle Eastern uncertainties, the degree to which holders of other *assets preferred to hold sterl*ing. the pattern of current account balances, and the prob*lems of other currencies*, in particular, the weakness of the Deutsche-Mark.

He expressed "considerable humility" about discussing in*fluences on the exchange rate*. At some times levels of interest rates had an effect and it was possible that such a position had been reached now.

But he said that, since U.S. interest rates had started to rise, narrowing the gap with UK returns, sterling had appreciated.

Mr. Richardson was questioned repeatedly by both Tory and Labour MPs about ways in which the exchange rate might *be reduced*.

He rejected proposals for large-scale intervention to hold down the pound. He was sceptical about suggestions for exchange *controls on inward* flows. The Bank has submitted a paper to the committee, on inward controls, looking at the experience of other countries.

In the 2¼-hour session Mr. Richardson was questioned about a wide range of topics, especially public-sector borrowing and the money supply, about which he gave no new clues.

He did, however, stress that *it would be easier to control* and to reduce the growth of the money supply if public-sector borrowing was more regular

The Governor was also questioned about the current review of monetary control techniques. He indicated some of the problems of switching over to *a fully-fledged monetary* base system.

He said that possible problems of such a switch made it likely that if there was to be a *change—on which* there had been no decision—then it would have to be taken in steps.

John Elliott writes: Sir Ray Pennock, president of the Confederation of British Industry, said last night that the Prime Minister has "about 18 *months" to go before industry* lost faith in her economic policies.

In a television interview recorded by ATV at the end of last week, he said the CBI backed the policies but was critical of the way they were being implemented. It wanted a 4 per cent cut in interest rates immediately.

"*If she gets inflation down*, and with the oil revenue that is coming in, she ought to be *in a strong position to revive* the prosperity of this country," said Sir Ray.

Cabinet meeting preview. Page 10; Money markets. Page 23

Ford gets tough with Halewood strikers

By John Elliott, Industrial Editor

FORD UK has decided to introduce controversial disciplinary measures at its Halewood plant on Merseyside in an attempt to stop a stream of unofficial strikes which have disrupted *output of its new Escort car* during the past two months.

Group of workers who refuse to take on jobs vacated by other workers will not only be sent *home for the remainder of their* shift, but will also be suspended for an extra day as a form of punishment.

"We shall suspend them if they won't work and if necessary we shall lay off a whole shop or a shift. We need plain, tough discipline in the factory." Mr. Bill Hayden. Ford's vice-president in charge of the com*pany's European manufacturing* operations, said last night.

"All launches of new cars at *Halewod have been sheer hell*, but this time it's just worse. We are reappraising our methods at the plant and it's hard. tough management we'll introduce."

The move could cause a major confrontation with trade unions ift it leads to widespread lay*offs and suspensions*. Union officials have been called to special meeting at the factory next week by *Mr. Arthur Rothwell*, Halewood's manufacturing manager.

The decision to risk a confrontation has been taken at a time when Ford's U.S. parent company is making substantial losses. The UK operations were *said by management to* be producing "almost non-existent profits." when union leaders lodged their annual pay claims last Friday.

Threatened

Mr. Hayden said that Halewood's losses were "costing a fortune." The company has threatened never to introduce another new model at the plant but, since that threat could not be *implemented for perhaps* seven or eight years, Mr. Hayden has decided more immediate action was needed.

At present an employee who refuses to work normally or to correct faulty output is sent home for the shift concerned *and for another day's disci*plinary action.

Other workers were now refusing to take on the jobs left vacant, and it was these larger groups that the company now intended to discipline.

Mr. Hayden said that 70 minor incidents had hit production since the Escort was introduced at the end of September. *In the past week production* of 800 Escorts had been lost, and yesterday a strike by 280 body shop workers led to *2,500* others being laid off through lack of work.

Orders placed for 1,200 Escorts to be exported to other European Ford companies had been cancelled in the past two months because of shortfalls in *production caused by the* stoppages.

The troubles at Halewood have interrupted a campaign being conducted throughout Ford's European operations by Mr. Hayden to improve efficiency and counter imports from Japan.

THE LEX COLUMN

Mutual defences in Hong Kong

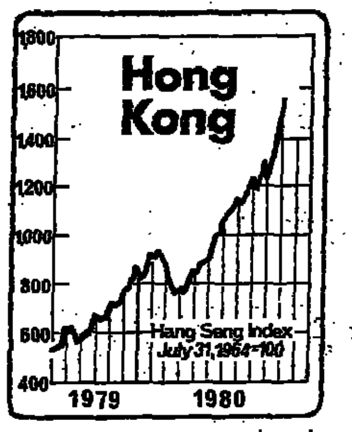
A temporary truce in the financial battle for Hong Kong between the British and Chinese may now be called after *two trading days in which the* Hang Seng index has leapt 8½ per cent and the volume of stock changing hands has hit two consecutive records.

Hongkong Land has found a ready use for the HK$1.4bn with which it emerged in June when it abandoned Hongkong and Kowloon Wharf to the onslaught of Sir Y. K. Pao, for since then it has been building up its defences through cross shareholdings with another Hong, Jardine Matheson. After a series of deals yesterday it appears that *Land* now *owns* about 30 per cent of Jardine, with a further 15 per cent or so in the safe hands of the Keswick family. Jardine, meanwhile, has built up its holding in Land to about 40 per cent.

So the two companies appear *to have made themselves fairly* impregnable to takeover from Chinese interests. and there is speculation that Mr. Li Ka Shing has acknowledged defeat in round two by selling his Jardine stake to Land. But the cost of defence has been high, with the two companies each spending at least $2.3bn on the others' shares over the last few *days alone. The levels of bor*rowing to finance the purchases have not been disclosed, but *shareholders will have suffered* substantial earnings dilution, even if some of the damage could be camouflaged by going over to equity accounting practices.

What happens next in the Hong Kong market depends crucially on whether the Chinese look as if they are selecting a target for round *three. Certainly a lot of finance* has got to come from somewhere to sustain the market at this or higher levels.

Index fell 4.4 to 482.1



Stone-Platt

Stone-Platt's sale of its pumps division to the U.S. company Indian Head for £11¼m is the sort of disposal that only acute financial pressure could have forced. Essentially Stone-Platt *is parting with one of its most* successful businesses in order to reduce borrowings to the *level—around £40m—at which* they started the year.

Last year, when the group showed an attributable loss after closure provisions of £17.5m, it restricted the increase in its debt to £15.5m, largely through cutting net working capital by *£5.3m. This year operating cash* flow has been negligible and it has not been possible to stop working capital from absorbing *funds*. Although capital expenditure has been cut to the bone gross debt rose £12.7m in the first nine months.

It is not just that good businesses have to be sold to bring in worthwhile amounts of money; a disposal or further *closure on the ailing marine* side or in UK textile machinery would inevitably bring a write-down of net worth. Ordinary shareholders' equity must now be around £50m compared with a market capitalisation of £13.3m.

The profit and loss account may be passing the worst: the textile machinery cycle seems *to be bottoming and the elec*trical division is holding up. Stone-Platt has forecast a return to profit in the current half year, although the recent strength of sterling cannot be making this easy to achieve. But the balance sheet will be a severe problem for some time, and the group badly needs recapitalising—a candidate for *Equity Capital for Industry*, perhaps.

Newman

Two questions are raised by the proposed refinancing of Newman Industries. One is whether the terms are fair. The other is how Newman got into the state that made an *injection* of new equity vitally important.

The plan is that a medium *sized Singapore trading com*pany, Cycle and Carriage, will buy a package of new shares and convertible loan in Newman for £8.1m, and as a result its shareholding will rise from 4 per cent to just over 51 per cent. The new shares are being *bought at 30p*, which matches the lowest trading level of the last three years, and compares with net assets of nearly 60p per share. So this looks a very low price to pay for control of a business with annual sales of £70m and profits two years ago of over £6m.

However, Newman plainly had to act soon, for its borrowings are up to £26.7m and rising, while its tangible net assets are £14.5m and falling. A rights issue was not a practical proposition, for the market capitalisation at 32p *is down to £8m*. No outright bidder appeared to be in the offing, and there was no partial disposal that fitted the bill. Newman will still be highly geared after this refinancing, but there may be comfort in the fact that the Singapore company apparently has wealthy backers.

As to how Newman got into this mess, the best *illustration* is its extraordinary decision last winter to buy a loss-making U.S. ceramics business, mainly for cash, at a time when its own *finances* were already stretched. Ten years ago, Newman was a well-established electric motor *manufacturer*. *After* a decade of aggressive diversification, it is now on the ropes.

Racal/Decca

The scale of Racal's challenge in turning round the ailing Decca group is demonstrated by the size of Decca's losses, now belatedly revealed for the year ended March. The deficit above the line is £13.7m, and there is *another £5.8m below*, so that in all about 30 per cent of Decca's net worth has been wiped out. At least Racal has been able to bring into play that old standby the property revaluation, which puts £13m back into the balance sheet so that the debt: equity ratio on consolidation with Racal on April 1 will have been slightly less than 50 : 50.

The longstanding hope has been that Racal will be able to pull Decca round roughly to a breakeven *point in the current* year, but it began from a worse position than it anticipated—at the time the deal was finalised Racal thought Decca had incurred running losses of only £6m plus £4m of exceptionals. Moreover Racal has still not *found a buyer for the lossmaking* TV side, while the small boat radar side gives "cause for concern." *Racal* needs to find solutions to these problems before the year-end.

It looks as though Racal will fail to show significant growth in earnings *per share* for the second year running. But the stock market remains unshaken *in its faith: since the first Decca* bid in January Racal's share price has risen from around 225p to a current 346p.

Stringent control for defence contracts

By Lynton McLain

DEFENCE SPENDING will face "stringent discipline" for the rest of the financial year, after the Ministry of Defence moratorium on new contracts ends next Saturday.

It is hoped this more flexible *approach will help the Ministry* to keep in step with changing economic circumstances.

The three-month moratorium has cost defence equipment suppliers £100m in receipts delayed until the restrictions end. The new measures are designed to save £15m-£20m more by the end of March, although the Ministry is still *expected to exceed its revised* cash limit for 1980-81 by "not less than £135m."

The limit was raised by £203m to £10.49bn on August 8, when Mr. Francis Pym, the Defence Secretary, announced the moratorium.

It was raised because the Ministry failed to forecast accurately the rate of inflation for 1980-81, and budgeting for an annual rate of 14 per cent.

Further factors were that *prices for defence equipment* rose faster than the inflation rate and companies short of commercial work made unexpected progress with defence contracts.

However, it was stressed in Whitehall yesterday that the *moratorium had proved to be* a "very blunt instrument," and it was acknowledged that some *companies had been severely* hurt.

The moratorium was responsible for the deferment of several big defence projects. These include plans by the Royal Air Force to buy light communications aircraft worth £16m

A scheme to assist service personnel to buy their own *homes was also expected to be* deferred.

Flexibility did have to be *introduced into the moratorium*, and it was acknowldged in Whitehall yesterday that some textile companies *supplying* uniforms and clothing to the armed forces "would have gone bust" otherwise.

One company in financial *difficulties exempted from the* moratorium was given a £26,000 order for bearskins for guards*men to help its cash flow*.

However, despite the few exceptions, Mr. Pym told MPs yesterday the "financial pressure" would continue for the rest of the financial year, despite the "acute difficulties" the moratorium had caused for in*dustry*.

The "stringent discipline" would apply to all new contracts and commitments.

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Coal Board plans to build £1bn plant to make oil from coal

BY RAY DAFTER, ENERGY EDITOR

THE NATIONAL Coal Board has long-term plans to build a £1bn plant to make oil from coal.

As a first step the board is urging the Government to make a quick decision on the proposal for a £50m pilot plant, capable of handling 25 tonnes *of coal a day. This plant is due* to be built on a 120-acre site at Point of Ayr Colliery, North *Wales, and could be producing* oil by the end of 1983.

Dr. Joe Gibson, the board's Member for Science, said yesterday that by the turn of the century enough should be known about the process to proceed with a commercial plant *processing at least 1,000 tonnes* of coal a day. Such a plant could cost up to £1bn.

Dr. Gibson said that the board might decide to build an intermediate demonstration plant about 1990 in its attempt to develop coal liquefaction.

Dr. Gibson said: "Fortunately, we have more time to do these things than some other countries. We can go further into proving the basic technology rather than having a crash programme and hoping it will work."

He was speaking as the launch in London of an International Energy Agency report on energy research, development and demonstration.

Developments in the use and conversion of coal, and increased conservation effort have been identified as two of the most important ways in which Western countries can reduce their dependence on *imported oil*. Governments of IEA member countries are spending more than $7bn *(£2.87bn) a year on energy* research, development and demonstration.

Dr. Eric Willis, IEA's director for energy research, develop*ment and technology* applications, said that if IEA countries continued on their present path, oil imports could *fall slowly* from 22m barrels a day this year to about 20m b/d by the turn of the century.

But a further 6m b/d could be cut if the 21 IEA nations concentrated on new energy conservation and supply technologies.

Such an accelerated programme would also save money. The report shows that between 1980 and 2020, the cost of oil imports and other energy supplies for 15 IEA countries could amount to $14.06 trillion or $13.8 trillion if research and *development was accelerated*.

Dr. Willis described the report as a "milestone in *energy research and develop*ment planning" because, for the first time, priorities had been established for all energy technologies. Individual governments had performed similar exercises but he regretted that others, who were not named, had not drawn up research and development priority lists.

Maurice Samuelson writes: *The new technology of fuel* burning called "fluidised bed combustion" is rapidly becoming suitable for commercial use, Dr. Tony Challis, the new Chief Scientist at the Energy Department, said in London yesterday.

West's aim to cut oil imports, Page 5; State help for coal industry, page 9; Editorial comment, Page 16

Seamen's strike hits ferries

BY WILLIAM HALL AND PAULINE CLARK

THE ONE-DAY strike by the National Union of Seamen—the first national stoppage since 1966—*caused* widespread disruption of cross-Channel and Irish Sea ferries and North Sea supply boat operations yesterday.

At the *same time*, Mr. *Jim* Slater, the union's general secretary, said further national action by seamen could not be ruled out.

The General Council of British Shipping estimated last night that 100 ships were delayed in British ports as a result of the strike, which was in protest at Cunard's proposed transfer of ships to flags of convenience.

The stoppage appears to have been solidly supported by NUS members. All UK-crewed ferries appear to have been halted, and the union claimed "one hundred per cent" support for the *stoppage*.

The cross-Channel ferries were the most seriously affected. At Dover the number of sailings was cut from 70 to less than a dozen. European Ferries lost 86 sailings and P & O cancelled the 24 sailings on its Dover-Boulogne route.

At Southampton P & O's French-crewed ferry, Leopard, *operated normally and at Dover* the foreign partners in the Sealink consortium also sailed as normal.

All ferry services out of Folkestone, which are operated by British ships, were halted. But French-crewed Sealink *ships operated seven sailings out* of Dover, and Sealink's Anglo-Belgian services, which use Belgian crews, ran according to schedule.

Virtually all the Irish Sea ferry services, with the exception of the Irish B & I line, were *at a standstill*.

However, disruption to cross-Channel passengers and commercial vehicle traffic was limited. Dover, for example, reported no problems.

North Sea supply boat operations to the offshore oil rigs were affected, but disruption was limited because many foreign-crewed vessels also ser*vice the oil fields*.

The NUS executive meets today and is likely to consider further *industrial* action against flag-of-convenience vessels.

Two more Cunard cargo ships, the Atlantic Causeway and ACTS VI, were stranded in Rotterdam yesterday where union members were refusing to allow the ships to sail after *leaving the port's dry dock*.

Another two remain stranded in Southampton and Sheerness after union instructions to its members to black all Cunard vessels

Mr. Jim Slater, the union's general secretary, said after addressing a meeting of 300 seamen in Liverpool: "If our men have to save the British fleet *from the threat of flags of* convenience then no measure should be discounted."

The union last week rejected a peace formula by Cunard under which only one of its Caribbean cruise ships would be transferred to the Bahamas *flag* instead of two as proposed.

Mr. Slater said dockers had given their support to the action and meetings were being set up with the International Transport Workers Federation to consider co-ordinated support from seamen overseas.

***Our Aberdeen Correspondent* writes:** North Sea crewmen want the TUC to act against *flag of convenience vessels in* Britain's offshore oilfields.

The meeting decided to ask the *TUC* to press for positive action from the Government to rid the North Sea of all flag-of-convenience vessels.

Parliament, Page 10

Weather

UK TODAY

VERY COLD, frost early and later, icy patches. Dry with sunny, clear periods but cloudy in the East.

***London, most of England,* Channel, Borders, Edinburgh, Dundee, Orkney, Shetland**
Max. 5-7C (41-45F).

Midlands, Wales, C.N. and N.W. England, Lakes, I. o. M., Glasgow, most of Scotland
Max. 5-8C (41-46F).

Argyll, N.W. Scotland, N. Ireland
Max. 7-8C (45-46F).

Outlook: Very cold, mostly *dry. overnight frost.*

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	9	48	L. Plms.	R	19	66
Algiers	F	25	77	Lisbon	R	12	54
Amsdm.	S	1	34	Locarno	C	5	41
Athens	S	23	73	London	S	6	43
Barclna.	C	18	64	Luxmbg.	S	−4	25
Beirut	F	20	68	Luxor	S	31	88
Belfast	F	7	45	Madrid	C	14	57
Belgrd.	C	2	36	Majorca	F	20	68
Berlin	C	−1	30	Malaga	F	19	66
Biarritz	C	6	43	Malta	S	24	75
Bmgham.	F	4	39	M'chstr.	C	5	41
Blackpl.	F	5	41	Milan	C	4	39
Bordx.	F	5	41	Moscow	S	3	37
Boulgn.	S	1	34	Munich	Sn	−3	27
Bristol	S	5	41	Naples	C	13	55
Brussels	C	−3	27	Nwcstl.	C	7	45
Budpst.	Sn	0	32	Nice	F	7	45
Cardiff	S	4	39	Nicosia	S	26	79
Cas'b'ca	C	19	66	Oporto	F	18	64
Cologne	C	2	36	Oslo	C	−1	30
Corfu	S	21	70	Paris	S	1	34
Dublin	F	8	46	Prague	Sn	−2	28
Dbrvnk.	F	16	61	Reykjvk.	C	9	48
Ednbgh.	S	6	43	Rhodes	F	23	73
Faro	F	19	66	Rome	F	16	61
Florence	R	5	41	Salzbrg.	S	−2	28
Funchal	F	19	66	Stckhm.	C	1	34
Geneva	F	2	36	Strasbg.	S	0	32
Gibrltr.	F	18	64	Tangier	R	14	57
Glasgow	S	3	37	Tel Aviv	S	31	88
G'rnsey	F	7	45	Tenerife	C	21	70
Helsinki	C	2	36	Tunis	S	25	77
Innsbrk.	S	1	34	Valencia	C	20	68
Invrnss.	F	6	43	Venice	C	5	41
I.o.Man	F	6	43	Vienna	Sn	−1	30
Istanbul	C	15	57	Warsaw	F	−2	28
Jersey	S	5	41	Zurich	C	−1	30

Continued from Page 1

Polls give edge to Reagan

in the Midwest, where many of the big industrial states are located, Mr. Reagan had turned a three-point deficit into a six-point lead.

Only the Harris findings are outside what the pollsters call the standard *margin of error*. Moreover, Mr. George Gallup himself issued the caveat that never had he seen such a volatile electorate. The undecided *factor could yet tip the balance*, as could any last-minute desertions to Mr. Carter from Mr. Anderson's dwindling army.

All the polls agree with Mr. *Carter that the* predicted low turnout will principally benefit Mr. Reagan. The Republican Party has shown remarkable solidarity behind him and Mr. George Bush, his running-mate, but registered Democrats still heavily outnumber their Republican counterparts.

Four years ago Mr. Ford was credited by some polls with a *small eleventh-hour lead over* Mr. Carter after having trailed substantially. But in the end he failed narrowly as Democrats "returned home" to their candidate. *This probably remains* Mr. Carter's best hope.

Also at stake today are 34 seats in the 100-member Senate and all 435 seats in the House *of Representatives*. The Republicans expect gains in both chambers, but only in the Senate do they have any realistic chance of attaining control.

However, some of the best-known names in Congress, mainly Democrats, have found themselves in tough re-election fights. If a number of them lose, the legislature could acquire quite a different personality and present a *new set of prob*lems for the next President, be it Mr. Carter or Mr. Reagan.

There are *also 13* governorships being contested, though none in a major state, and a host of state assemblies. Currently there are 31 Democratic *governors and 19* Republicans. The likelihood is that the Republicans will pick up a state house or two.

The most notable race is in West Virginia, *where Mr. Jay* Rockefeller, the incumbent Democrat, is reported to have spent no less than $9m (£3.7m) in trying to fend off the challenge of Mr. Arch Moore, the veteran former governor.

Continued from Page 1

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Cowley, Oxford, where the 11,000 workers believe that under the 1981 corporate plan, production of the planned *LC10*, middle range car, will be sited there.

It remains to be seen whether factories such as Rover, at Solihull, Birmingham, where *short*-time working is expected at least until Christmas, will be prepared to respond to the strike call.

Union representatives from the Speke body plant, Liverpool, made the point yesterday that a strike now would raise the question of whether they *would have jobs* to which to return.

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